
Volume 3

Awarding, Packaging, and Scheduling Disbursements

Table of Contents

Chapter 1: Academic Calendar & Payment Periods	3-1
Academic Year requirements	3-1
Weeks of instructional time in an academic year.....	3-2
Credit or clock-hours in an academic year.....	3-2
Awards are affected when a program does not meet one of the academic year standards.....	3-2
Academic calendars & Terms.....	3-4
Standard terms: semesters, trimesters, and quarters.....	3-4
Nonstandard terms.....	3-5
Nonterm characteristics.....	3-5
Programs that must be treated as clock-hour for FSA aid.....	3-5
Payment periods	3-7
Programs using standard terms or substantially equal nonstandard terms (term-based).....	3-7
Programs with nonstandard terms not substantially equal in length.....	3-7
Clock-hour and nonterm programs.....	3-8
Progression based on completion of hours and weeks (rather than term-based completion).....	3-17
 Chapter 2: Cost of Attendance (Budget)	 3-21
Allowable costs	3-21
Allowable costs in general.....	3-22
Exceptions to the normal cost allowances.....	3-24
Costs waived or paid by other sources.....	3-25
Costs for periods other than nine months	3-28
Adjusting costs for Pell.....	3-28
 Chapter 3: Packaging Aid	 3-29
Pell grants as first source of aid	3-30
Packaging rules for campus-based aid and direct loans.....	3-30
Estimated financial assistance (efa)	3-31
Packaging aid for children of iraq & afghanistan soldiers	3-32
Packaging iraq & afghanistan service grants	3-32
Considering grants and subsidized loans first.....	3-33
Substituting for the efc	3-33
Counting need-based earnings as estimated financial assistance.....	3-37

Crossover Periods	3-37
Packaging veterans benefits, americorps, vocational rehabilitation funds, & BIA Grants	3-39
Veterans and AmeriCorps benefits.....	3-39
Vocational rehabilitation funds.....	3-40
Coordination with Bureau of Indian Affairs grants.....	3-40
Reserve Educational Assistance Program (REAP or Chapter 1607).....	3-40
Treatment of overawards	3-41
Appendix A federal education benefits to be excluded from estimated financial assistance as listed in section 480(C) of the higher education act	3-42

Chapter 4: Scheduling Disbursements..... 3-43

Timing of disbursements—general rules.....	3-43
Checking eligibility at the time of disbursement.....	3-43
Time frames for paying FSA funds	3-44
Submitting disbursement records	3-44
Basic rules for early and delayed disbursements	3-44
Retroactive payments when disbursement has been delayed	3-45
Multiple disbursements within a payment period	3-47
Timing of fsa grant & perkins loan disbursements.....	3-47
Disbursements in credit-hour term-based programs.....	3-47
Disbursements in clock-hour and credit-hour nonterm programs.....	3-47
Timing of grant disbursements within a payment period.....	3-48
Uneven disbursements of FSEOG & Perkins.....	3-48
Timing of Stafford/PLUS disbursements	3-49
Standard terms and substantially equal nonstandard terms at least nine weeks in length (SE9W).....	3-49
Clock-hour programs, nonterm credit-hour programs, and program with nonstandard terms that are not substantially equal.....	3-49
Exceptions to multiple disbursement loan rules for schools with low default rates.....	3-50
Interim disbursements	3-51

Academic Calendar & Payment Periods



CHAPTER 1

Award limits are generally connected to a period of time and to credit or clock-hours attended. For instance, all of the programs except Federal Work-Study have a maximum amount that can be awarded for an academic year or award year. Measurement of time is important for another reason—in most cases, awards from the Federal Student Aid (FSA) programs must be paid in at least two installments. For most programs, the amount and timing of the payments is based on the academic terms or payment periods in the program.

ACADEMIC YEAR REQUIREMENTS

Every eligible program, including graduate programs, must have a defined academic year. The academic year is one component used in determining the student's eligibility for Title IV aid.

A school may have different academic years for different academic programs. For example, a school may choose to define the academic year for a term-based program differently from a nonterm program. In some cases, the definition *must* be different, such as in the case of a clock-hour program and a credit-hour program. For FSA purposes, the academic year is defined in weeks of instructional time and for undergraduate programs in credit or clock-hours. The program's academic year does not have to coincide with a program's academic calendar.

A school may treat two versions of the same academic program (day and night, for example) as separate programs and define different academic years for each version. If your school establishes separate versions of a program, with different academic years, but allows individual students to take courses from both versions, your school must be able to demonstrate in which program the student is actually enrolled. Generally, to be considered enrolled in a particular program or version of a program, a student must be taking at least 50 percent of his coursework in that program.

Although a school may have different academic years for different programs, it must use the same academic year definition for **all** FSA awards for students enrolled in a particular program, and for all other FSA program purposes.

CHAPTER 1 HIGHLIGHTS

Academic Year requirements

Academic calendars & terms

Payment periods

Grant and Perkins Loan programs

- Standard and nonstandard terms
- Clock-hour and nonterm credit-hour

Direct Loan program

- Standard terms and substantially equal nonstandard terms
- Clock-hour, nonterm credit-hour, and nonstandard terms not substantially equal in length

"Successfully complete"

"Substantially equal" terms

Direct Assessment payment periods

Payment period completion requirements

Related topic:

Payment periods when student re-enters a program after withdrawing—see Volume 5.

Citations

Award Year: 34 CFR 600.2

Academic Year: 34 CFR 668.3

Payment Period: 34 CFR 668.4

Weeks of instructional time: 34 CFR 668.3(b)

Weeks of instructional time are used in the Pell and Stafford calculations.

Note that the Department has not set a regulatory standard for the number of hours of instructional time that make up one day of instruction. This has been left to the reasonable interpretation of schools and their accrediting agencies.

Reductions in academic year length

Schools that provide 2- or 4-year associate or baccalaureate degree programs may apply to ED if they want to establish a full academic year of less than 30 weeks of instructional time. ED is permitted to grant a reduction for good cause to no less than 26 weeks of instructional time. For further details on submitting such a request, see 34 CFR 668.3 (c).

Weeks of instructional time in an academic year

An academic year for a credit-hour or direct assessment program must be defined as at least 30 weeks of instructional time, and for a clock-hour program, at least 26 weeks of instructional time.

The number of weeks of instructional time is based on the period that begins on the first day of classes in the academic year and ends on the last day of classes or examinations. For all FSA programs, a week of instructional time is any period of 7 consecutive days in which at least 1 day of regularly scheduled instruction, examination, or (after the last day of classes) at least 1 scheduled day of study for examinations occurs. Instructional time does not include periods of orientation, counseling, homework, vacation, or other activity not related to class preparation or examination. Therefore, the weeks of instructional time may be less than the number of calendar weeks that elapse between the first day of classes and the last day of classes or examinations.

Credit or clock-hours in an academic year

The law and regulations set the following minimum standards for coursework earned by a full-time student in an academic year in an *undergraduate* educational program (including direct assessment programs):

- 24 semester or trimester credit-hours or 36 quarter credit-hours for a program measured in credit-hours; or
- 900 clock-hours for a program measured in clock-hours.

There is no minimum hours component to the definition of an academic year for *graduate and professional* programs. For purposes of Direct Loans, a loan period certified for an academic year in a graduate or professional program would include the weeks of instructional time in the academic year and the hours a full-time student is expected to complete in those weeks.

Awards are affected when a program does not meet one of the academic year standards

The FSA academic year that a school defines for a program has to meet the regulatory minimums for both clock or credit-hours AND weeks of instructional time. In some instances, the definition of an academic year may not coincide with the academic calendar of the school. These cases may affect Pell Grants and loan disbursements, and, in Direct Loans, annual loan limits and annual loan limit progression.

For example, awards would be affected if a program is an academic year in length in credit or clock-hours but not in weeks of instructional time. Also, for a program longer than an academic year in length, awards would be affected if the completion of the credit or clock-hours in the program's academic year does not coincide with completing the weeks of instructional time in the academic year.

Counting weeks of instructional time

August						
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

September						
		1	2	3	4	
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

October						
				1	2	
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

November						
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

December						
		1	2	3	4	
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

This graphic illustrates how your school would count weeks of instructional time in a 16-week term where classes are held Monday through Friday. In this hypothetical term*, August 1st is a Sunday, and classes begin on August 23rd and end December 3rd, with examinations held December 6th-10th.

Note that the school holds no classes on Labor Day (September 6th) on this calendar, Veterans Day (November 12th), and Thanksgiving break (November 24th-26th). The circles indicate the points at which each of the weeks of instructional time begin. There are 16 weeks of instructional time.

Remember: If a week in the term has no days of instruction, examination, or (after the last day of classes) study for examination, that week does NOT count as a week of instructional time. For example, a week comprised entirely of vacation days is not a week of instructional time.

*Note that this example is not meant to illustrate any specific calendar year.

Typical length of standard terms

For additional information on this topic, see the preamble to the General Provisions regulations published on Nov. 29, 1996 (Federal Register, Volume 61, No. 231, Page 60581).

Credit hour definition

34 CFR 600.2

DCL GEN-11-06

A credit hour is now formally defined, for Title IV aid purposes, as an amount of work that **reasonably approximates** not less than:

- 1) one hour of classroom or direct faculty instruction and a minimum of two hours of out of class student work each week for approximately fifteen weeks for a semester or trimester hour, or ten to twelve weeks for one quarter hour of credit (or the equivalent amount of work over a different amount of time); or
- 2) at least an equivalent amount of work as required in #1 for other academic activities such as laboratory work, internships, practica, studio work, or other academic work leading to the award of credit-hours.

Note that the classroom/direct faculty instruction time and out of class student work requirement in #1 does not mean your school must have a certain number of hours of those specific types of instruction every week; it is an average required over the length of the course and may be institutionally established equivalencies that **reasonably approximate** the minimum standard using different measures of student work.

Your school may set a higher standard that requires more student work per credit hour, and your school may use a measure or metric different from this definition for academic and non-federal aid purposes.

If the program in question is using the clock-hour to credit hour conversion formula, the above guidance does not apply to the definition of a credit hour (see later in this chapter for full discussion).

ACADEMIC CALENDARS & TERMS

Schools offer programs with many kinds of academic calendars that differ from the traditional fall-spring school year. For purposes of the FSA programs, there are three basic types of academic calendars: standard term, nonstandard term, and nonterm.

Generally, a term is a period in which all classes are scheduled to begin and end within a set time frame, and academic progress is measured in credit-hours. However, if these periods overlap within a program, they may not be treated as a term-based program for FSA purposes. Term-based programs can have either standard terms or nonstandard terms.

Standard terms: semesters, trimesters, and quarters

Semesters and trimesters are terms that are generally 14 to 17 weeks long. An academic calendar that uses semesters traditionally has two terms, in the fall and spring, and a trimester academic calendar traditionally has three terms, in the fall, spring, and summer. Academic progress is measured in semester credit-hours, and full-time is at least 12 semester credits.

Similarly, quarter terms are approximately 10 to 12 weeks in length and the academic calendar includes three quarters in the fall, winter, , and often a summer term. Academic progress is measured in quarter credit-hours, and full-time is at least 12 quarter credits.

Your school may combine shorter terms or modules to meet the requirements of a standard term such as a semester. For example: a program is offered in 8 nonstandard terms, each 6 weeks in length, and students earn 6 quarter credits in each term. Your school may choose to combine each consecutive pair of nonstandard terms and consider the program to be offered in 4 quarters.

In certain limited cases for academic programs offered in standard terms, a short nonstandard term may be treated as part of one of the standard terms, and the combined terms may be considered to be a single standard term. For example, a program is offered in a calendar consisting of two 15-week semesters and a 4-week intersession. To consider the program as consisting only of semesters, the intersession may be treated as part of one of the two semesters as long as the same treatment is applied for all FSA purposes to all students enrolled in the program. In addition, hours taken in the intersession must count towards a student's enrollment status for the combined term and costs for the intersession must be appropriately included in the cost of attendance.

If your school chooses not to combine a nonstandard term in this manner, the program must be treated as a nonterm program for Direct Loans, and a Formula 3 program for Pell and TEACH Grants. The fact that your school did not combine the term does not negate the requirement that a student must be considered for FSA aid if enrolled and eligible in the term.

Nonstandard terms

Nonstandard terms are terms (where all coursework is expected to begin and end within a set period of time) that are not semester, trimester, or quarter terms. In some cases, the terms may be of unequal length, though it is also possible for programs with terms of equal length to be considered nonstandard. For instance, a school could offer a program with six consecutive 5-week modules, with each module counting as a nonstandard term.

Unlike standard terms, the length of the term is not necessarily associated with the type of credit-hours awarded. Some nonstandard terms are the length of a semester (14-17 weeks) but award quarter credits. Others are the length of a quarter (10-12 weeks) but award semester credits.

Nonterm characteristics

If a program measures progress in clock-hours, it is always treated as a nonterm program. A program that measures progress in credit-hours is considered to be using a nonterm calendar if it has:

- courses that do not begin and end within a set period of time;
- courses that overlap terms;
- self-paced and independent study courses that overlap terms; or
- sequential courses that do not begin and end within a term.

Programs that must be treated as clock hour for FSA aid

Your financial aid office must calculate FSA aid using the methods for clock-hour programs for a program in certain instances.

Credits and nonstandard terms

Remember, just because progress in a program is measured in semester or quarter credits, this does not necessarily mean that the program is offered in semester or quarter terms. Also, even though a school may label a term as a quarter, semester, or trimester, it may be considered a nonstandard term for Federal Student Aid purposes if it does not conform to the Federal Student Aid standards for a semester, trimester, or quarter.

Combining terms examples

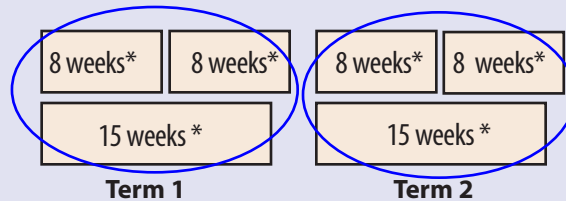
See the example at the end of this section for guidance on combining concurrent and consecutive terms.

Programs that must be treated as clock-hour

34 CFR 668.8(k),(l)

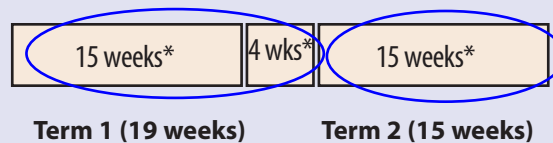
Combining concurrent terms

Clark University offers a program in both 15-week terms and 8-week terms. Clark University combined two 8-week terms with a 15-week term to make each semester; each semester provides 16 weeks of instructional time*.



Combining consecutive terms

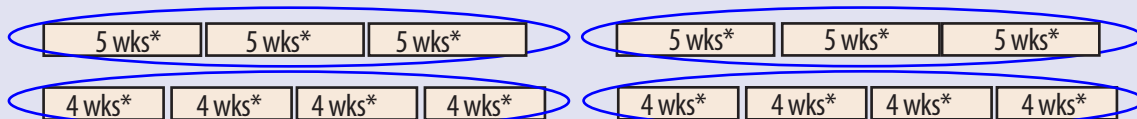
Sanders College offers a separate degree program in education with a short 4-week* term between two 15-week* semesters. The terms don't overlap. Sanders College has defined the academic year for this program as 24 semester hours and 34 weeks of instructional time. Sanders College could combine the short term with one of the standard terms and for purposes of FSA programs treat the program as being offered in two semesters:



Sanders College can also choose not to combine the terms. In this case, the program would have a 4-week term and two semesters. For certain FSA program requirements, this may mean your school will treat all terms in a nonstandard term manner, or as part of a nonterm program. For more details, see discussion on previous pages.

Treatment of modules

A school may choose to group modules together and treat the entire period as a term. (For example, grouping three five-week* modules together may create a 15-week* semester; or grouping four one-month modules into a 16-week semester would be acceptable.)



On the other hand, programs that are offered in modules may sometimes be counted as programs measured in nonstandard terms. For example, in a program that offers six 5-week modules, each module could be treated as a nonstandard term. In addition, a school may choose to consider a program that consists of consecutive modules as a nonterm program. Whatever academic calendar your school adopts for a program, your school must apply it to all students enrolled in that program and document the program's treatment in your policies and procedures manual.

*Weeks in these examples are weeks of instructional time, as defined earlier in this chapter.

PAYMENT PERIODS

The definition of a payment period is applicable to all FSA programs except FWS. The common definition is integral to requirements for the administration of FSA funds. For example, FSA program disbursements (except FWS payments) must be made on a payment period basis. Another example is that a student's satisfactory academic progress evaluation is required to correspond with the end of a payment period.

For clock-hour programs, the payment period is defined not only in clock-hours but also in weeks of instructional time. A student must successfully complete the clock-hours and weeks of instructional time in a payment period to progress to the next payment period.

For Direct Loans, the payment period for clock-hour programs, nonterm credit-hour programs, and nonstandard term programs with terms not substantially equal in length are defined in clock or credit-hours and weeks of instructional time (as has been the case for the other FSA programs). (Previously for such programs, second disbursements in loan periods were based on the calendar midpoint of the academic year.) A student must successfully complete the clock-hours and weeks of instructional time in a payment period to progress to the next payment period (as has been the case for annual loan limit progression and for grant and Perkins loan payment period progression in clock-hour and nonterm credit-hour programs).

For FSA purposes, your school will use either "term-based" payment periods (the payment period is the term), or payment periods based on the completion of credit or clock-hours and weeks of instructional time. The payment period your school uses depends on the kind of academic calendar your school uses, as described below, and the FSA program for which your school is disbursing funds.

Programs using standard terms or substantially equal nonstandard terms (term-based)

For credit-hour programs that use standard terms, or that use nonstandard terms that are substantially equal in length (see sidebar), the payment period is the term itself.

Programs with nonstandard terms not substantially equal in length

For purposes of Pell Grants, TEACH Grants, FSEOGs, and Perkins Loans, if the program uses nonstandard terms, the payment period is the term.

For Direct Loans, if a credit-hour program has nonstandard terms that are not substantially equal in length, use the nonterm payment periods described in the section below, under "Clock-hour programs and nonterm programs."

Payment periods

→ Definition of payment periods
34 CFR 668.4

Two payment period limit in an academic year or program

Unless your school uses terms as payment periods under FSA rules, there are no more than two payment periods in the lesser of the program, the academic year, or the remainder of the program.

Your school may make multiple disbursements within a single payment period; however, schools should note that making multiple disbursements within a payment period does not create a new or additional payment period.

"Successfully Completes"

34 CFR 668.4(h)(1),(2)

A student "successfully completes" credit or clock-hours if your school considers the student to have passed the coursework associated with those hours.

"Substantially Equal"

34 CFR 668.4(h)(1),(2)

For purposes of measuring payment periods in programs offered in nonstandard terms, "substantially equal" means that no term in the program is more than 2 weeks of instructional time longer than any other term in that program. "Not substantially equal in length" means nonstandard terms that have at least 1 term more than 2 weeks of instructional time longer than another in the same program.

Direct Loan payment periods for graduate/professional students (clock-hour, nonterm, etc.)

For a graduate or professional student in a clock-hour or nonterm program, or a program with terms not substantially equal in length, the Direct Loan payment period is 1/2 of what a full-time student would be expected to complete, in both weeks of instructional time and credit or clock-hours. This policy also relates to annual loan limit progression for graduate or professional students.

Unable to determine completion of hours in payment period

34 CFR 668.4(c)(3)

If your school is tracking progress by clock or nonterm credit-hours and is unable to determine when a student has successfully completed half of the credit or clock-hours in a program, academic year, or remainder of a program, the student is considered to have begun the second payment period of the program, academic year, or remainder of a program at the later of the date (identified by the school) that the student has successfully completed:

1. half of the academic coursework in the program, academic year, or the remainder of the program; or
2. half of the number of weeks of instructional time in the program, academic year, or the remainder of the program.

Clock-hour programs with terms

The payment periods for clock-hour programs that use terms are determined in the same way as for nonterm clock-hour programs. The student must successfully complete all the clock-hours in the payment period before receiving any more FSA funds. If a student doesn't complete all the hours scheduled for a term, each payment period still contains the number of clock-hours originally scheduled, even if this means that none of the student's succeeding payment periods coincide with the terms.

Clock-hour and nonterm programs

The following types of programs must use payment periods that are based on the time it takes for the student to successfully complete the credit or clock-hours and weeks of instructional time in the payment period:

- Nonterm credit-hour programs
- Clock-hour programs
- For Direct Loan (DL) purposes, nonstandard term credit-hour programs with terms not substantially equal in length

If your school is determining the payment periods for a program for which one of the measures (either clock or credit-hours or length of instructional time) is less than an academic year and the other measurement is not, the program is considered less than an academic year in length, and it follows the payment period rules for a program that is less than an academic year.

If the program is one academic year or less, the academic year or program is divided into two payment periods. The first payment period is the period in which the student successfully completes half of the credit or clock-hours AND half of the weeks of instructional time in the program. The second payment period is the period in which the student completes the remainder of the program.

If the program is more than one academic year in length:

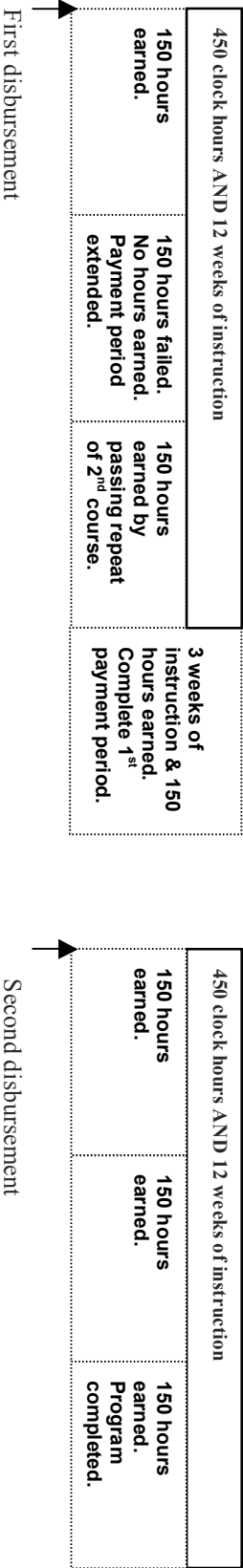
- Use the rule for one academic year (above) for each full academic year in the program.
- For any remaining portion of a program that is half of an academic year or less, the remaining portion is treated as a single payment period.
- For any remaining portion of a program that is more than half of an academic year but less than a full academic year, the remaining portion is divided into two payment periods and the first payment period is the period in which the student successfully completes half of the credit or clock-hours AND ½ of the weeks of instructional time in the remaining portion.

Nonterm Example 1: Clock-hour program

A student enrolls in a clock-hour program with an academic year (AY) of 900 clock hours and 26 weeks of instructional time. The program is 900 clock hours and 24 weeks of instructional time in length and consists of 6 successive graded courses. Each course has 150 clock hours and is completed over 4 weeks of instructional time. Our student successfully completes all 6 courses except the second course that the student immediately repeats and passes.

In this case the scheduled payment periods are identical for the student's Pell Grant and Stafford loan and are ½ of the length of the program in clock hours and weeks of instructional time: 450 clock hours and 12 weeks of instructional time. However, the first payment period is extended since the first 450 clock hours attended were not successfully completed. The student does not complete the first payment period until after attending for 600 clock hours and 15 weeks of instructional time due to the need to successfully complete the 450 clock hours in the payment period. As a result, the second disbursement date must be rescheduled, and the school will need to report the rescheduled disbursement date for the second disbursement to COD for Pell and Direct Loans.

Payment periods



Nonterm Example 2: Work completed fast in 2nd year

Another program with an academic year of 24 semester hours and 30 weeks of instructional time has 48 semester hours and 60 weeks of instructional time. Students in the program are expected to complete the first 24 hours over 36 weeks of instructional time, and the final 24 semester hours in 24 weeks of instructional time. The student completes each of hours 1-12 and 13-24 in 18 weeks of instructional time and each of hours of 25-36 and 37-48 in 12 weeks of instructional time.

For the grant and Perkins Loan programs, by definition, all four payment periods are 1/2 of the defined academic year: 12 hours and 15 weeks of instructional time.

Pell Grant: Payment periods

12 semester hours AND 15 weeks of instruction	12 semester hours AND 15 weeks of instruction	12 semester hours AND 15 weeks of instruction	12 semester hours AND 15 weeks of instruction
15 weeks of instruction attended	15 weeks of instruction attended	15 weeks of instruction attended	15 weeks of instruction attended
12 hours completed	12 hours completed	12 hours completed	12 hours completed
1 st Pell 1 st payment period completed after student has completed 18 weeks of instruction and earned 12 hours (3 weeks of instruction toward the 2 nd payment period)	2 nd Pell 2 nd payment period completed after student has completed 18 weeks of instruction and earned 12 hours (6 weeks toward the 1 st payment period of 2 nd Pell)	2 nd Pell 1 st payment period completed after student has completed 15 weeks of instruction and earned 12 hours (3 weeks toward the 2 nd payment period)	2 nd Pell 2 nd payment period completed after student has completed 12 weeks of instruction and earned 12 hours

1st disbursement – 1st Pell

2nd disbursement – 1st Pell
In 19th week of instruction

1st disbursement – 2nd Pell
In 37th week of instruction

2nd disbursement – 2nd Pell
In 49th week of instruction

For Stafford/PLUS, the first loan must be certified for 36 weeks of instructional time to ensure the loan period covers both measures of the FSA academic year. The first loan period will have two payment periods of 12 hours and 18 weeks.

The second loan period, for the balance of the program, will have the same number of semester hours (24), but will be certified for fewer weeks of instructional time (24). Thus, the second loan period is divided into two payment periods of 12 hours and 12 weeks of instructional time. There is no proration of the annual loan limits since the remaining balance of the semester hours equals the semester hours of the academic year.

(continued on next page)

Nonterm Example 2, continued

Stafford: Payment periods

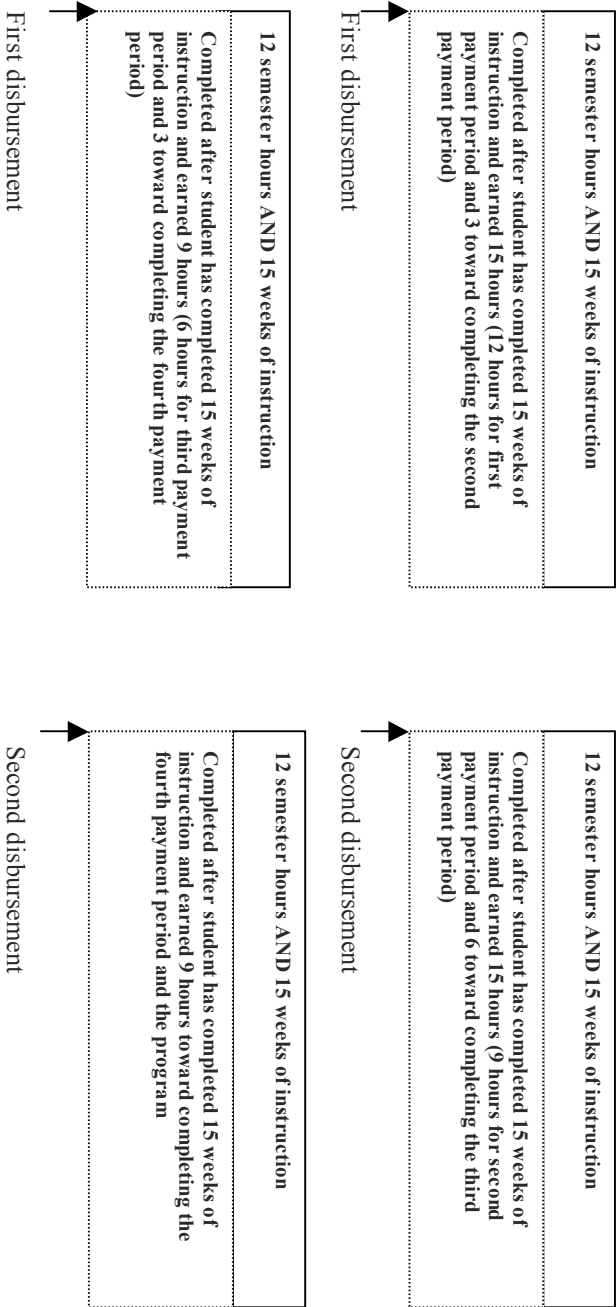
12 semester hours AND 18 weeks of instruction	12 semester hours AND 18 weeks of instruction	12 semester hours AND 12 weeks of instruction	12 semester hours AND 12 weeks of instruction
18 weeks of instruction attended	18 weeks of instruction attended	12 weeks of instruction attended	12 weeks of instruction attended
12 hours completed	12 hours completed	12 hours completed	12 hours completed
1 st loan 1 st payment period completed after student has completed 18 weeks of instruction and earned 12 hours	2 nd payment period completed after student has completed 18 weeks of instruction and earned 12 hours	2 nd loan 1 st payment period completed after student has completed 12 weeks of instruction and earned 12 hours	2 nd payment period completed after student has completed 12 weeks of instruction and earned 12 hours
1 st disbursement—1 st loan	2 nd disbursement—1 st loan In 19 th week of instruction	1 st disbursement—2 nd loan In 37 th week of instruction	2 nd disbursement—2 nd loan In 49 th week of instruction

Nonterm Example 3: More hours earned in the first academic year

A nonterm, two-year program of 48 semester hours and 60 weeks of instructional time has an academic year of 24 semester hours and 30 weeks of instructional time. Students are expected to complete the first 30 semester hours over 30 weeks of instructional time in the first period of enrollment. They are then expected to complete 18 semester hours in the last 30 weeks instructional, 9 hours in each half of 15 weeks of instructional time.

For the grant and Perkins Loan programs, the payment periods are half of the weeks and half the hours of the FSA academic year: 12 hours and 15 weeks each.

Pell Grant: Payment periods



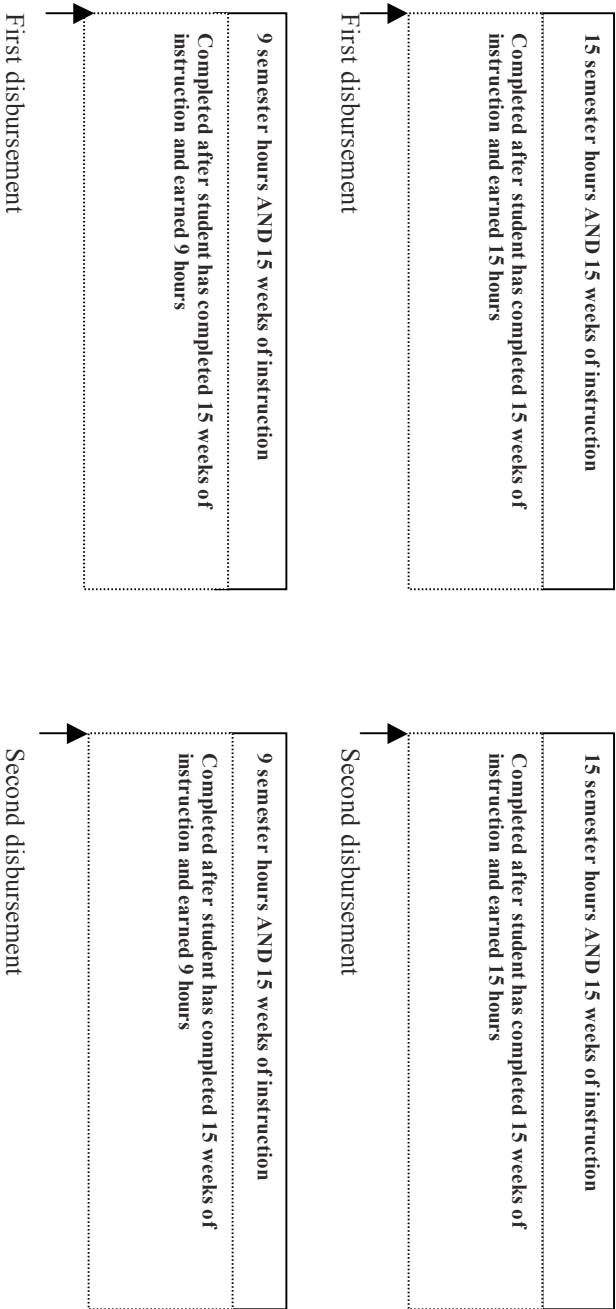
For Stafford/PL US, you will certify a loan for the first academic year using start and end dates reflecting the first 30 weeks of instructional time since a student would complete the hours of an academic year within that time. Note that where 6 semester hours in the first period of enrollment would be considered part of the third payment period for grants/Perkins, for Stafford/PLUS, they would be considered as part of the initial BBAV loan period. Thus, for Stafford/PL US, the second loan period is the remaining balance of the program: 18 hours and 30 weeks of instructional time.

(continued on next page)

Nonterm Example 3, continued

For the first loan period, the payment periods are 15 hours and 15 weeks of instructional time, i.e., half of the weeks of instructional time and half of the hours the student is expected to complete in the loan period. For the second loan period, the remaining balance of the program is less than an academic year in length based on the hours; however, both hours and weeks of instructional time are greater than ½ of the academic year. Therefore, there are two equal payment periods of 9 hours and 15 weeks of instructional time. Note that the annual loan limits must be prorated for this second period of enrollment by 18/24 based on the semester hours in the loan period and the hours in the defined academic year.

Stafford: Payment periods

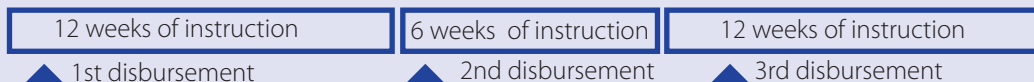


Nonstandard Term Example: Terms not substantially equal

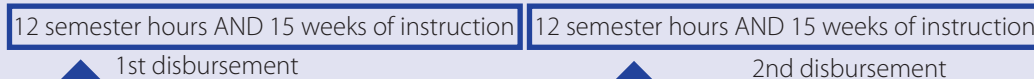
For a nonstandard term program, your school may have to use different payment periods for Stafford/PLUS loans than the ones your school uses for FSA grants and Perkins Loans. In this example, we show how the payment periods for a Pell Grant and a Stafford Loan can differ in a program that has nonstandard terms that are not substantially equal in length. In this program, the payment periods for Pell Grants are the terms, while the payment periods for the Stafford Loan are the nonterm payment periods. A student earns at least 23 semester hours at the end of the 6-week term.

**Academic Year =
24 semester hours, 30 weeks of instructional time**

Pell Grant: Payment periods are the nonstandard terms (3 disbursements)



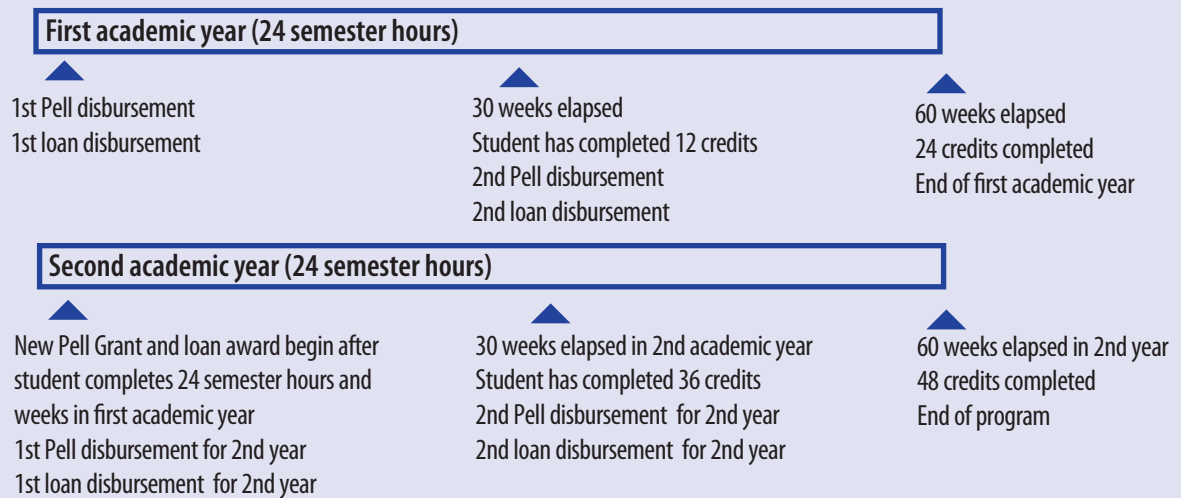
Stafford: Payment periods are determined by credit-hours and weeks (2 disbursements)



Example: Disbursement for part-time student in a nonterm program

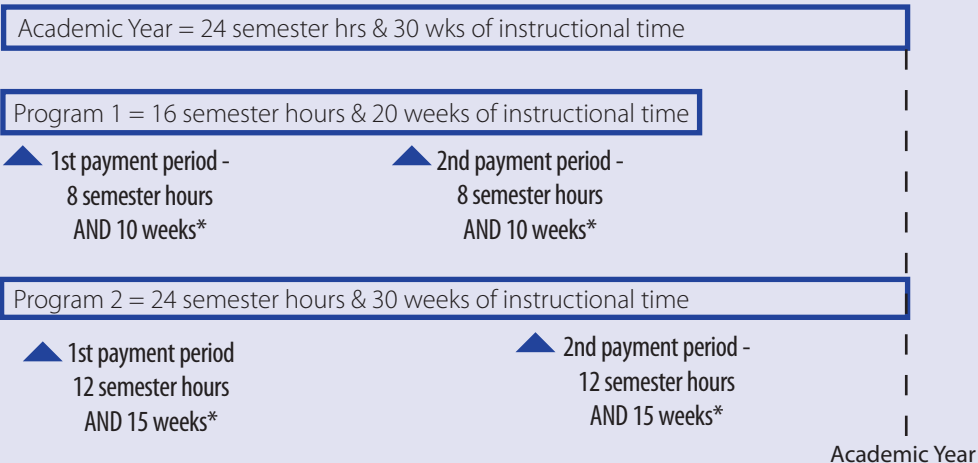
The illustration shows the disbursements for a half-time student enrolled in a program of 48 semester credits that a full-time student completes in 60 weeks of instructional time. For this program, the school has defined the academic year as 24 semester credits and 30 weeks of instructional time.

Under the regulations, this half-time student would receive second disbursements after completing half of the credit-hours AND half of the weeks of instructional time in the academic year. Because the student in the example is a half-time student, it takes the student 30 weeks of instructional time to successfully complete 12 credit-hours. The student is eligible for a new loan and a new Pell Grant once the student has successfully completed 24 credit-hours and 60 weeks.



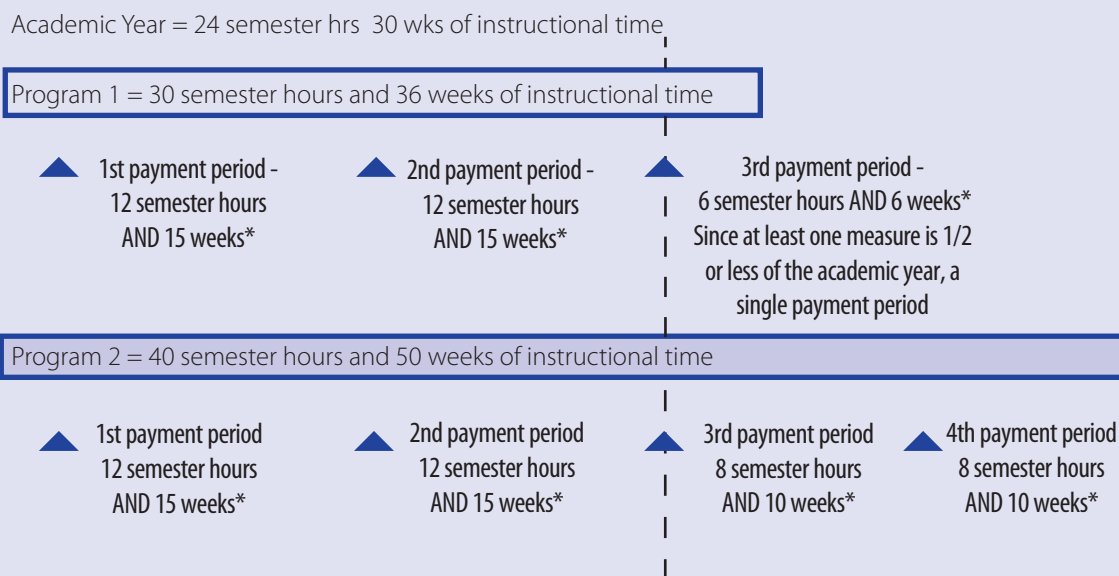
Nonterm Programs—One Academic Year or Less

In both of these examples, the school defines the academic year for the program as 24 semester hours and 30 weeks of instructional time. The first program is less than an academic year; the second program is a full academic year.



Nonterm Programs—More than an Academic Year

In both of these examples, the school defines the academic year for the program as 24 semester hours and 30 weeks of instructional time. The first program is an academic year with a remaining portion less than $\frac{1}{2}$ of an academic year; the second program is an academic year with a remaining portion greater than $\frac{1}{2}$ of an academic year.



*Weeks of instructional time.

Progression based on completion of hours and weeks (rather than term-based progression)

As described in the previous section, there are two cases where your school must use credit or clock-hours and weeks of instructional time to determine the length of the payment period:

- clock-hour and nonterm credit-hour programs; and,
- for Direct Loans, programs with terms not substantially equal in length.

For these programs, each subsequent payment period cannot begin until the student successfully completes the credit or clock-hours and weeks of instruction in the previous payment period.

Except for a second or subsequent loan period in Direct Loans, if a student completes additional weeks of instructional time or hours while completing the other measure of a payment period, these additional weeks or hours count towards completing the next payment period. For Direct Loans, the first payment period of a second or subsequent loan period includes only the weeks of instructional time and hours that begin on the first calendar day of the new loan period.

Clock-hour payment period progression and weeks of instructional time

Payment period progression in clock-hour programs requires that the student complete both the clock-hours and weeks of instructional time.

Completion requirements

Payment periods: 34 CFR 668.4

Pell Grants: 34 CFR 690.75(a)(3)

Direct Loans: 34 CFR 685.301(b) and (b)(6)

TEACH: 34 CFR 686.11

Excused absences: 34 CFR 668.164(b)(3)

Excused absences in clock-hour programs

In a clock-hour program, your school is allowed to count a limited number of excused absences when deciding whether the student has completed the hours in a payment period. An excused absence may only be counted if the student is excused from hours that were actually scheduled, were missed, and do not have to be made up for the student to receive the degree or certificate for the program.

For instance, a student in a program that has 450-clock-hour payment periods might miss 20 clock-hours and only have attended 430 clock-hours at the point where other students that did not miss any clock-hours had received 450 clock-hours of instruction. If your school has an excused absences policy, the 20 missed clock-hours are considered excused, and this student could be paid the next disbursement.

To be counted for FSA purposes, excused absences must be permitted in your school's written policies. Under FSA regulations, no more than 10% of the clock-hours in a payment period may be considered excused absences. If your school's *accrediting agency* or the *state agency that legally authorizes your school to operate* allows fewer hours to be counted as excused absences, your school must follow the stricter standard rather than the FSA standard.

Direct Assessment program payment periods

Because Direct Assessment programs don't use credit or clock-hours as measures of learning, your school must establish a method to reasonably equate the Direct Assessment program (or Direct Assessment portion of any program) to credit or clock-hours for the purpose of determining the payment periods in the program. Your school must provide a reasonable written description that supports your school's claim that the program or portion of a program is equivalent to a specific number of credit or clock-hours (note that any credits awarded for "life experience" are not counted for FSA purposes).

Once your financial aid office has established credit or clock-hour equivalencies, Direct Assessment program payment periods are measured in the same manner as other programs, according to the payment period rules described earlier in this chapter.

34 CFR 668.10

Disbursement by Payment Period Required (except as provided in the discussion following this chart)		
Program Type	Direct Loan	Pell, TEACH, FSEOG, & Perkins Loan
Credit-hour programs offered in standard terms & nonstandard term programs offered in terms that are substantially equal in length.	Term	Term
Credit-hour programs offered in nonstandard-terms that are not substantially equal in length. ²	The payment period is the successful completion ¹ of: <ul style="list-style-type: none"> half of the weeks of instructional time in the academic year/program less than an academic year; and half of the credit-hours in the academic year/program less than an academic year. For the remainder of a program equal to or less than half of an academic year, the payment period is the remainder of the program.	Term
Clock-hour programs and nonterm credit-hour programs.	The payment period is the successful completion ¹ of: <ul style="list-style-type: none"> half of the weeks of instructional time in the academic year/program less than an academic year; and half of the clock/credit-hours in the academic year/program less than an academic year. For the remainder of a program equal to or less than half of an academic year, the payment period is the remainder of the program.	The payment period is the successful completion ¹ of: <ul style="list-style-type: none"> half of the weeks of instructional time in the academic year/program less than an academic year; and half of the clock/credit-hours in the academic year/program less than an academic year. For the remainder of a program equal to or less than half of an academic year, the payment period is the remainder of the program.
¹ Successful completion means that the student has earned a passing grade or otherwise received credit for the credits or clock-hours in the payment period. ² If a program is offered in a combination of standard and nonstandard terms and the program does not qualify to use a "SAY," then for Direct Loan purposes, the program is subject to the disbursement requirements that apply to nonstandard programs that are not substantially equal in length.		

Direct Loan Disbursements within a single term/payment period

Unless it qualifies for the special rule based on low cohort default rates (see below), a school must generally make two disbursements of a Direct Loan that is certified or originated for a single term or a single payment period:

- For credit-hour programs offered in standard terms or nonstandard terms that are substantially equal in length with no term less than 9 weeks of instructional time in length (SE9W), the second disbursement may not be paid until the calendar midpoint between the first and last scheduled days of class in the loan period.
- For all other programs, including clock-hour and nonterm credit-hour programs, and nonstandard term programs with terms that are not substantially equal or with terms that are substantially equal and less than 9 weeks of instructional time in length, for a remainder of a program equal to or less than ½ an academic year (or the term if the terms are substantially equal) the second disbursement may not be paid until the student successfully completes ½ of the weeks of instructional time in the payment period, and half of the clock or credit-hours in the payment period.

Special rule: Schools with cohort default rates of less than 15% for each of the 3 most recent fiscal years for which data are available, may disburse, in a single installment, loans that are made for: 1 semester, 1 trimester, 1 quarter or, for loans made for a 4-month period or less, for one nonstandard or nonterm loan period. Note that a program offered in substantially equal terms at least nine weeks in length (SE9W) may not disburse in a single installment for a term if the term is longer than four months. In the case of loans made to students in study abroad programs, the home school's default rate must be less than 5 percent for the most recent fiscal year for which data are available to qualify for this special rule.

Pell or TEACH disbursements within a single term

If a school uses Formula 3 to calculate a Pell Grant or TEACH Grant, the student's total payment for a payment period may exceed 50 percent of the student's annual award. However, the disbursements of the student's Pell or TEACH Grant in the payment period cannot exceed 50 percent of the student's annual award until the student completes in the payment period at least half of the weeks of instructional time in the academic year.

Review of completion

Term-based programs using credit-hours

For a credit-hour term program, there is no requirement that a student successfully complete all of the coursework to receive payment in the next term. For instance, a student could receive a Stafford disbursement in the spring term after failing several courses in the fall term, provided that the student was still making satisfactory progress under the school's policy. (However, if the program uses nonstandard terms that are not substantially equal in length, your school must use the nonterm-based rules for Stafford/PLUS disbursements, below.)

Pell Grants, Perkins Loans, FSEOG, and TEACH Grants in clock-hour or nonterm programs

For a credit-hour program without terms or a clock-hour program, a school may disburse a Pell, Perkins Loan, FSEOG or TEACH grant only after it determines that the student has successfully completed the credits or clock-hours and weeks of instructional time in the prior payment period.

Stafford/PLUS loans in clock-hour, nonterm, and certain nonstandard term programs

If an educational program does not use terms to measure academic progress for FSA purposes, the school may not make the second loan disbursement until the student successfully completes the weeks of instructional time **and** the credit or clock-hours in the payment period. These coursework completion requirements apply to clock hour and nonterm programs, and programs with nonstandard terms that are not substantially equal in length.

--

Cost of Attendance (Budget)



CHAPTER 2

Awards for each of the Federal Student Aid (FSA) programs are based on some form of financial need, beginning with cost of attendance. This chapter picks up at the point where your financial aid office has established the student's Expected Family Contribution (see the Application and Verification Guide) and the student's basic eligibility (see Volume 1). Most schools establish average costs for different categories of students and set these cost categories in EDEXpress or other software that they use to determine awards and package aid. The typical costs that your school establishes for your students will be used to calculate their FSA award amounts and package their aid.

Unlike scholarship programs that may award funds based on academic merit or the student's field of study, "need-based" grants, loans, and work-study are based on the family's demonstrated financial need for assistance.

The cost of attendance (COA) is the cornerstone of establishing a student's financial need, as it sets a limit on the total aid that a student may receive for purposes of the TEACH Grant, Campus-Based programs, and Stafford/PLUS loans, and is one of the basic components of the Pell Grant calculation.

ALLOWABLE COSTS

The cost of attendance for a student is an estimate of that student's educational expenses for the period of enrollment. As you'll see, your school can use average expenses (for students with the same enrollment status) at your school, rather than actual expenses. For example, for the tuition and fees component, your school can use the same average amount for all full-time students instead of figuring the actual tuition and fees for each individual student. Your school can have different standard costs for different categories of students, such as a cost of attendance for out-of-state students (who have higher tuition) and a lower cost of attendance for in-state students. However, a school cannot combine the COA figures for each separate enrollment status and award aid to a student on the basis of the average COA. Students must be awarded on the basis of a COA comprised of allowable costs assessed all students carrying the same academic workload.

If a student is enrolled in a program that has extra fees or costs, such as lab fees, your financial aid office can add those fees to the student's cost or use a standard cost that you've established for all students in that program. If your financial aid office establishes standard cost categories, it must apply the cost allowances uniformly to all students in those categories.

There are different ways to arrive at average costs for your students, such as periodic surveys of your student population and local housing costs.

CHAPTER 2 HIGHLIGHTS

Allowable Costs

Determined by school, taking into account:

- Tuition and fees
- Books, supplies, transportation, personal, misc.
- Room and board
- Dependent care
- Study-abroad expenses
- Disability expenses
- Employment expenses for co-op study
- Loan fees

Exceptions

- Less than half-time enrollment
- Correspondence study
- Incarcerated students
- Professional judgment

Costs met from other sources

- Tuition and fees not paid by student
- Free room and board
- Other cost specified by source

Costs for period of enrollment

- Campus-Based, TEACH Grants, and Stafford/PLUS are based on costs for the period of enrollment; for instance, costs for a student attending a single semester in the school year would be limited to the costs for that time period.
- Pell is always based on the cost of full-time attendance for a full academic year.

Cost of attendance components

The cost of attendance is determined by law (Higher Education Act, Sec. 472) and is not subject to regulation by the Department. The law specifies the types of costs that are included in the cost of attendance, but your financial aid office must determine the appropriate and reasonable amounts to include for each eligible COA category for students at your school, based on the criteria described in this chapter.

Less-than-half-time COA components

For students who are less than half-time, COA can include only:

- tuition and fees;
- an allowance for books and supplies;
- transportation (but not miscellaneous & personal expenses); and
- an allowance for dependent-care expenses, and
- Room and board for a limited duration, see less than half-time room and board component on next page.

Documentation of exceptional expenses

The law doesn't specify what documentation your school must collect for expenses such as dependent care or disability-related expenses. Your school can document these expenses in any reasonable way, such as documenting an interview with the student or obtaining a written statement from the student or other appropriate sources.

Student with a disability

A student is considered to have a disability if he or she has a physical or mental impairment that substantially limits a major life activity, such as if the student is deaf, has a mental disability, is hard of hearing, has a speech or language impairment, is visually disabled, is seriously emotionally disturbed, orthopedically impaired, autistic, has a traumatic brain injury, is otherwise health-impaired, or has specific learning disabilities that requires special education and related services.

Allowable costs in general

The types of costs that may be included are the same for all FSA programs. The cost of attendance, based on the student's enrollment status, for the Campus-Based, TEACH Grant, and Stafford/PLUS programs is a student's cost for the period for which the aid is intended. The cost of attendance used for Pell Grants and Iraq & Afghanistan Service Grants is always the full-year costs for a full-time student, so your financial aid office may have to prorate actual or average costs up for students who are attending less than an academic year (or who are part-time in a term program) or prorate down for students who are attending for periods longer than an academic year. We'll discuss this at the end of this chapter.

A student's cost of attendance is the sum of the following. If a cost is not mentioned in these categories (which are derived from the only source on COA components, Section 472 of the HEA), it is not to be included as COA:

- **The tuition and fees normally assessed for a student carrying the same academic workload.** This includes costs of rental or purchase of equipment (including equipment for instruction by telecommunications), materials, or supplies required of all students in the same course of study. If your school charges tuition for the entire program at the start of the first period of enrollment, for Stafford/PLUS and Campus-Based aid, the tuition costs apply only to the first period of enrollment. For Pell, your financial office must prorate these charges to reflect the academic year.
- **An allowance for books, supplies, transportation, and miscellaneous personal expenses.** This can include a reasonable amount, as determined by your school, for the documented rental or purchase of a personal computer that the student will use for study for the enrollment period. For example, a computer purchased in the summer for use in the fall term may be included. This allowance may also include costs for operating and maintaining a vehicle used to transport the student to and from school, but not for the purchase of a vehicle.
- **An allowance for room and board.** For students without dependents living at home with their parents, this will be an allowance that your school determines. For students living on campus, the allowance is the standard amount normally assessed most residents. For those living off-campus but not with their parents, the allowance must be based on reasonable expenses for the student's room and board.
- **For a student with dependents, an allowance for costs expected to be incurred for dependent care.** This covers care during periods that include but are not limited to class time, study time, field work, internships, and commuting time for the student. The amount of the allowance should be based on the number and age of such dependents and should not exceed reasonable cost in the community for the type of care provided.

- **An allowance for the one-time direct costs of obtaining a first professional license or certificate for students who are enrolled in a program that requires such professional licensure or certification.** This allowance may only be provided one time per student per eligible academic program. Examples of allowable costs include fees charged to take a licensing exam, costs of applying for and obtaining the license or certification, and, at the discretion of the school, costs incurred in traveling to a residency interview for a medical student. Under this provision, the costs must be incurred during (not after) a period of enrollment, even if the exam is after the end of the period.
- **For study-abroad programs approved for credit by the student's home institution, reasonable costs associated with such study.**
- **For a student with a disability, an allowance for expenses related to the student's disability.** These expenses include special services, personal assistance, transportation, equipment, and supplies that are reasonably incurred and not provided by other agencies.
- **For students engaged in a work experience through a cooperative education program, an allowance for reasonable costs associated with such employment.**
- **For students receiving loans, the fees required to receive them (for example, the loan fee for a Direct Loan).** Your school may also include the fees required for non-federal student loans (that is, non-federal loans that must be considered Estimated Financial Assistance [EFA] for the student when packaging aid). In all cases, your school can either use the exact loan fees charged to the student or an average of fees charged to borrowers of the same type of loan at your school. To be included in the COA, any loan fees for private loans must be charged to the borrower during the period of enrollment for which the loan is intended.
- **For less than half-time students, room and board for a limited duration.** Schools have the option to include in the COA for a less-than-half-time student an allowance for room and board for up to three semesters (or equivalent), with no more than two of the semesters being consecutive at any one school. Your school is not required to monitor COA components from other schools attended by the student.
- **For students living in housing located on a military base or housing for which they receive a military housing allowance (Basic Allowance for Housing, or "BAH"), the room and board COA component shall include an allowance for board only. This applies to:**
 - independent students who receive, or whose spouses receive, a military housing allowance (BAH) or who live on a military base; and
 - dependent students who are living with parents who are receiving a military housing allowance (BAH) or who live on a military base.

Free room and board/tuition waivers

Guerrero University saves some of its Resident Assistant jobs for students with exceptional financial need. All Resident Assistants receive a waiver of room and board charges. If the student quits the job, the waiver is removed, and the student has to pay the room and board charges. All the students have the room and board charges in their cost of attendance. For students who are Resident Assistants because of their financial need, Guerrero must count the room and board waiver as estimated financial assistance. The waiver would not be counted as untaxed income, but if included in the AGI, such a waiver would be reported as "grant and scholarship aid reported to the IRS" and would be excluded from total income in the EFC formula.

HERA and reduced origination fees

HERA reduced the origination fees for Direct Loans. Make sure the COA allowance in your packaging software reflects the lower percentages. For details, see DCL GEN-06-02.

Costs for programs that become eligible in the middle of a year

When awarding aid, your school may not count toward the student's Cost of Attendance (COA) any costs incurred in any payment period before the program gained Title IV eligibility nor any costs incurred in periods that the student has already completed.

For more details on how programs gain Title IV eligibility, see Volume 2, Chapter 5 of the *FSA Handbook*.

Treatment of Estimated Financial Assistance component of COA

HEA Sec. 480(j)

DCL GEN 06-05

If the source of assistance is a state and is designated by the state to offset a specific component of the student's COA, the amount of that assistance may be excluded from both COA and EFA. Your school may exclude such assistance on a student-by-student basis, but if it is excluded, it must be excluded for both COA and EFA. If the amount excluded is less than the allowance provided in the student's COA, your school must exclude the lesser amount.

Changes in Pell COA

For more on when changes in Pell COA necessitate a recalculation of a Pell award, see Volume 3, Chapter 3 of the *FSA Handbook*.

Exceptions to the normal cost allowances

The following are the exceptions to the normal cost of attendance allowances:

- For students who are enrolled **less than half-time**, only the costs for tuition and fees and allowances for books and supplies, transportation, room and board for a limited duration, and dependent care expenses may be included as part of the cost of attendance (miscellaneous expenses and personal expenses may not be included).
- Generally, the cost of attendance for **correspondence study** is restricted to tuition and fees, which often include books and supplies. If the costs of books and supplies are separate, then they may also be counted in the cost of attendance. If the student is fulfilling a required period of residential training, the cost of attendance can also include required books and supplies, an allowance for travel, and room-and-board costs specifically incurred for the period of residential training, a student isn't eligible to receive FSA aid for correspondence courses unless the student is enrolled in an associate, bachelor's, or graduate-degree program).
- The cost of attendance for **incarcerated students** is limited to tuition and fees and required books and supplies. Remember that an incarcerated student is ineligible for FSA loans, and if the student is in a federal or state penal institution, he is ineligible for Pell Grants as well.
- Your financial aid office has the authority to use **professional judgment** to adjust the cost of attendance on a case-by-case basis to allow for special circumstances. Such adjustments must be documented in the student's file. (See "Professional Judgment" in the *Application and Verification Guide*.)

Costs waived or paid by other sources

When a specific component of a student's cost of attendance is waived or explicitly paid by another source, special treatment may be necessary. In some situations, the student is charged the normal tuition and fees charge with an offsetting credit issued. In other situations, the student is never charged tuition and fees at all. Although this section discusses this concept in terms of tuition and fee charges, it applies to any of the components of a student's cost of attendance.

In some cases, such as under Workforce Investment Act (WIA) programs, a student's tuition and fees are paid by another organization or are waived. The student's costs are based on what the school is actually charging the student, based on the agreement between the school and the student.

If the student is charged for the tuition and fees, even if the charge is eventually paid by someone besides the student (e.g., a scholarship agency or other source of aid), then that tuition and fee amount is included in the cost of attendance in most circumstances (see sidebar on "Alternate example of waived or paid COA component"). The tuition and fees payment would then be counted as estimated financial assistance. The charge is documented in the same way as for any non-WIA student—for instance, in your school's contract with the student or in the agreement with the WIA agency. (If your school charges the student for tuition and fees, your school would have to expect the student to pay the charge if the WIA agency or other source of assistance doesn't pay on the student's behalf.)

If the student is never charged for tuition and fees, then the cost of attendance wouldn't include the tuition and fees component. Some WIA agreements with schools provide that the school can't charge the tuition and fees to the student, even if WIA doesn't cover the costs. If your school is prohibited under such an agreement from charging tuition and fees to the student, then the tuition and fees aren't included in the student's cost of attendance, and, therefore, that amount would not be included as estimated financial assistance.

Even if there's no tuition and fees component, the student's budget still includes the other costs listed previously, such as an allowance for living expenses. The option to either include the cost and aid in both COA & EFA versus excluding both from COA & EFA only applies to non-federal sources of assistance, and only when that assistance is designated to offset specific components of COA (i.e., tuition, room and board).

Alternate example of waived or paid COA component

The state in which Guerrero University was founded charges all full-time students the same tuition charge. However, in-state students receive a voucher to cover the difference between what most states consider in-state versus out-of-state tuition. Guerrero has two options. The first option would allow Guerrero to include the same tuition charge in the full-time COA for all students and include the amount of the voucher as estimated financial assistance (EFA) in the respective students' financial aid packages. Alternatively, Guerrero could exclude the amount of the voucher from both COA and EFA because the voucher must be used to explicitly pay a specific component of the COA. Regardless of the option Guerrero chooses, it must apply the option consistently.

WIA reimbursement contracts

Some WIA contracts operate on a reimbursement basis; that is, the student must fulfill the terms of the contract before WIA will reimburse the school for tuition and fee costs. If the student doesn't fulfill the terms of the contract, the school is left with an unpaid tuition and fees charge. The school isn't permitted to hold the student liable for the unpaid tuition and fees. Contracts are established this way to offer schools an incentive to properly train and place students enrolled in the training programs. However, if a tuition and fees charge is included in an FSA aid recipient's budget, the student would be liable for any outstanding charges that are not reimbursed by WIA. Therefore, schools that enter into reimbursement contracts must remove the tuition and fees component from the FSA budget because, under these contracts, schools are prohibited from holding the student liable for outstanding charges.

Pell Grant Cost Example 1: prorating total costs by lesser of two fractions

Your financial aid office may take the student's entire cost of attendance (tuition and fees, room and board, etc.) and multiply it by the lesser of the two fractions that represent the length of the academic year. If the lesser fraction is one, don't prorate the cost of attendance. One fraction is based on credit or clock hours and the other is based on weeks of instructional time, as shown in this example.

Let's use the example of a program that charges \$10,500, awards 18 semester credits, and is completed by most full-time students within 20 weeks of instructional time.

$$\frac{\text{Credit/clock hours in academic year definition} = 24}{\text{Credit/clock hours awarded} = 18}$$

$$\frac{\text{Weeks in academic year definition} = 30}{\text{Weeks provided} = 20}$$

Since the fraction using credit hours is the lesser fraction, the program cost of \$10,500 is multiplied by 24/18 to find the full-year Pell cost.

$$\$10,500 \times 24/18 = \$14,000$$

In this case, the full-time cost is \$14,000. Note: If one of the fractions is equal to one, for instance, if the program awards 24 credit hours, then the prorated cost is the same as the original cost of attendance.

Pell Grant Cost Example 2: prorating academic costs & living expenses separately

As an alternative, your school can separately prorate the costs associated with credit or clock hours (tuition and fees, books and supplies, loan fees) and the costs associated with weeks of instructional time (room and board, miscellaneous expenses, disability expenses, transportation, dependent care, study abroad, reasonable costs associated with employment as part of a cooperative education program).

Using our earlier example of a program lasting 20 weeks and awarding 18 credit hours, and specifying that the student's tuition, books, supplies, etc., come to \$4,500 and living expenses amount to \$6,000, the calculation would look like this:

$$\frac{24 \text{ credit hours}}{18 \text{ credit hours}} \times \$4,500 = \$6,000$$

$$\frac{30 \text{ weeks}}{20 \text{ weeks}} \times \$6,000 = \$9,000$$

In this example, the student's Pell budget is the sum of the two prorated costs, or \$15,000.

Pell Grant Cost Example 3: prorating costs for a nonterm program longer than an academic year

Costs must also be prorated if they are charged for a period longer than an academic year. Your school may use either of the proration methods shown in Examples 1 and 2. We'll use the example of a program awarding 1,000 clock hours and providing 40 weeks of instructional time. Let's assume that the school uses the regulatory minimums in defining the academic year as 900 clock hours and 26 weeks. The total costs over the 40 weeks, including tuition and living expenses, is \$5,900. If we use the method in Example 1, this amount must be prorated by the lesser of the following two fractions:

$$\frac{\text{Credit/clock hours in academic year definition} = 900}{\text{Credit/clock hours awarded} = 1000}$$

OR

$$\frac{\text{Weeks in acad. year definition} = 26}{\text{Weeks provided} = 40}$$

The lesser of the two fractions is the one based on weeks (26/40). Multiply the total program cost by this fraction to determine the Pell costs for a full academic year: $\$5,900 \times 26/40 = \$3,835$.

Pell Grant cost of attendance for a consortium program

A student receiving a Pell Grant for attendance at two schools through a consortium agreement may have costs from both schools at the same time. The student's cost of attendance is calculated in the same way as for a student taking classes at only one school. The student's charges for tuition and fees and books and supplies at the consortium schools have to be combined into a single charge for a full academic year for purposes of the Pell calculation.

The school paying the student can choose to use actual charges for the student, which would simply be the sum of the actual charges at both schools. Of course, if the student isn't attending full-time, your school will have to prorate these tuition and fees and books and supplies charges so that they are the correct amounts for a full-time, full-year student.

If the disbursing school is using average charges, then the average full-time charges at each of the schools must be prorated and combined. If the student is taking a full-time load at each school, the full-time tuition and fees charges for an academic year at each school can be averaged to determine the tuition and fee cost. However, if the student is taking an unequal course load, the disbursing school must prorate the charges based on the number of hours the student is taking at each school.

Pell Grant cost of attendance for a co-op program

If a student has a co-op job for the first term, the tuition and fees for that period can be prorated over the full academic year for the program (which must include at least 24 semester/trimester hours, 36 quarter credit-hours, or 900 clock-hours, as well as 30 weeks of instructional time, or, for clock-hour programs, 26 weeks). This prorated amount is then added to the other cost of attendance components to arrive at the total cost for a full-time student for a full academic year.

For the rest of the year, your school can either use the cost of attendance with the projected amount or can recalculate the student's tuition and fees at the end of the first term to determine a new cost of attendance for the remaining payment periods. This decision must be consistent with your school's overall policy on recalculating for changes in a student's costs. (See the discussion of Pell Grant recalculations in *Chapter 3 of Volume 3 of the FSA Handbook* for more information.) Note that the cost of attendance can also include employment-related expenses.

Costs for a period other than 9 months

For Stafford, PLUS, and Campus-Based aid and TEACH, the cost of attendance used for packaging must reflect the student's cost for that period that he or she is actually enrolled.

For instance, if a student is completing her program of study by taking a 1/2-time course load for the fall semester at your school, and that's the only term that she'll be attending in the award year, your school could use the actual tuition and fee charges for the student's costs. If your school use average costs for living expenses for a 9-month academic year for students in that program, your school may divide your average costs by the number of terms in the academic year to find the cost for this enrollment period (assuming the terms are substantial in length).

For Pell Grants, your school could either use an average tuition cost for a full-time, full-year student in the program or prorate the student's actual tuition for the fall term to arrive at a full-year, full-time cost. Costs for living expenses may also be average costs for a full academic year—if a full-year average cost is used, it doesn't have to be prorated for Pell Grant awards.

Costs for full program charged at start

A school may charge the total tuition cost for a program at the beginning of the first period of enrollment. If the program is longer than an academic year, for Stafford/PLUS Loans and Campus-Based aid, the tuition costs apply only to the first period of enrollment. For Pell Grants, your school must prorate these charges to reflect the academic year in accordance with the procedures outlined in *Volume 3, Chapter 3 of the FSA Handbook*.

COSTS FOR PERIODS OTHER THAN NINE MONTHS

The cost of attendance used to package Campus-Based aid and Stafford/PLUS Loans and TEACH covers the student's actual period of enrollment. Therefore, if the student will be attending for more than 9 months, your financial aid office must use a higher cost of attendance that includes living expenses, such as room and board, for the longer period of time. If the student will be attending for less than 9 months, your financial aid office must use a lower cost of attendance. Your school can choose to prorate the allowances your school uses use for 9 months, or your school can calculate the cost in any other **reasonable** way.

Adjusting costs for Pell

The types of costs included in the Pell budget are the same as those for the other FSA programs; however, Pell costs are always based on the costs for a *full-time student for a full academic year*.

For Pell, costs for programs or enrollment periods longer or shorter than an academic year must be prorated so that they are the costs for one full academic year. This is true for both parts of the academic year definition: if either the number of weeks or the number of clock/credit hours differs from the academic year standard, the costs must be prorated to determine the full-time, full-year Pell budget. The need to prorate Pell costs is most likely to occur in these situations:

- a term-based program that provides less than the weeks of instructional time in an academic year;
- a nonterm program that provides less than 24 semester hours, 36 quarter hours, or 900 clock hours and/or provides less than the weeks of instructional time in an academic year; or
- a program that is longer than an academic year, where the costs for the entire program are charged at the beginning of the program.

There are two ways to prorate Pell costs, as shown in the previous examples. Both of these examples are based on a program that is shorter than an academic year. The third example shows how costs are prorated when they are charged for a program that is longer than an academic year. Note that prorating the cost of attendance usually does not affect the amount of Pell Grant the student receives. However, you're required to report the full-time, full-year Pell budget when reporting disbursements to COD.*

*If the student is in a category where costs are limited, such as less-than-half-time enrollment, those costs that are allowable must be based on costs for a full-time student for a full academic year. For instance, the tuition component of the Pell cost of attendance for a less-than-half-time student must be based on the tuition costs that would be incurred by a full-time student attending a full academic year.

Packaging Aid



CHAPTER 3

In earlier chapters of this volume, we described how to calculate student awards, based on costs, period of enrollment, and statutory award maximums. Once your school has received the student's FAFSA information (including the student's Expected Family Contribution, or EFC) and calculated the student's aid eligibility, your financial aid office can package the student's aid. In this chapter, we'll discuss the terminology a business office needs to know and how a school's packaging process influences student financial aid awards.

The general rule in packaging is that the student's total federal financial aid must not exceed the student's financial need. Except for Pell Grants, FSA award amounts are also constrained by the other aid that a student receives, known as *Estimated Financial Assistance* (EFA). For Federal Financial Aid purposes, need is defined as a student's Cost of Attendance minus the student's EFC. A student's EFC, or "expected family contribution," is a score assigned to the student based on their financial background, which was determined by the FAFSA.

The process of awarding aid without exceeding the student's financial need is traditionally called packaging. Packaging is a process that varies from school to school, depending on the types of scholarship and other aid available at the school, and the characteristics of the student population. Schools may have different packaging philosophies, but they generally try to find the best combination of aid to meet the financial need of the students they serve.

If your school discovers that the student has other EFA that causes the aid package to exceed the student's need, your financial aid office must attempt to adjust the aid package to eliminate the overaward. If the overaward can't be eliminated, it must follow the overaward procedures in Volume 5 of this publication.

To help your financial aid office package federal student aid with your other aid awards, we provide a Packaging module in EDEExpress. Your financial aid office can enter information about your school's student aid programs and set up factors to be considered in packaging, and then use the software to automate the packaging process.

Most schools use some form of packaging software, whether EDEExpress or software from a commercial vendor. Your school is not required to use EDEExpress to package FSA awards, and schools do not have to report the student's aid package to the Common Origination and Disbursement (COD) system.

CHAPTER HIGHLIGHTS:

- Related software: EDEExpress Packaging Module
 - Available at www.fsadownload.ed.gov
- Packaging principles
 - Pell Grants packaged first; not reduced for other aid.
 - Campus-Based and subsidized Stafford Loans based on Pell, eligibility, EFC, and estimated financial assistance.
 - Subsidized Stafford Loans based on Pell eligibility, EFC, and estimated financial assistance.
 - Unsubsidized Stafford Loans and PLUS based on Pell eligibility and estimated financial assistance.
 - Iraq & Afghanistan Service Grant
- Treatment of need-based earnings
- Treatment of other aid: special cases
 - AmeriCorps and veterans educational benefits
 - Vocational rehabilitation assistance
 - Bureau of Indian Affairs grants

Financial need

$$\begin{array}{r} \text{Cost of Attendance} \\ - \text{EFC} \\ \hline \text{Financial Need} \end{array}$$

Requirements for arrangements with private lenders

34 CFR 601

For more detail on the school's responsibilities with respect to education loans from private lenders, see the participation and student consumer information requirements in Volume 2 of the *FSA Handbook*.

Some key points on Stafford/ PLUS Awards

- Before your school originates a Stafford Loan, your financial aid office must determine the student's eligibility for a Pell Grant.
- Your financial aid office may originate a subsidized Stafford Loan only for the amount of student's financial need—the student's costs minus the student's EFC and estimated cost minus financial assistance.
- A student may qualify for a combination of subsidized and unsubsidized Stafford Loans.
- If they meet program requirements, the parents of a dependent student can take out a PLUS Loan to pay for the student's cost of attendance. There is no fixed loan limit for PLUS Loans.
- If the student is independent, or his/her parents can't borrow a PLUS, the student is eligible for additional unsubsidized Stafford amounts.
- Unsubsidized Stafford Loans and PLUS Loans (as well as TEACH Grant funds) can be used to replace the EFC, as well as to cover the student's unmet need.
- PLUS Loans are available to graduate and professional students
- Graduate/professional students may not receive subsidized Stafford loans for loan periods that start on or after July 1, 2012.

Prepaid tuition plans

GEN-06-05, HEA Sec. 480(f) & (j)

Prepaid tuition plans are not considered EFA; instead, they are treated the same as Coverdell education and 529 savings accounts: their value is considered an asset of the owner of the account, unless the owner of the account is a dependent student. When the owner is a dependent student, the value of the account is reported as an asset of the parents on the FAFSA.

Prohibition on originating Stafford for school charges only

HEA Sec. 479(A)(c)
34 CFR 685.301(a)(8)
DCL GEN-11-07

Your school cannot engage in a practice of originating Stafford Loans only in the amount needed to cover the school charges, or to limit unsubsidized Stafford borrowing by independent students.

PELL GRANTS AS FIRST SOURCE OF AID

Pell Grants are considered to be the first source of aid to the student, and packaging FSA funds begins with Pell eligibility. A correctly determined Pell Grant is never adjusted to take into account other forms of aid. Therefore, if a student's aid package exceeds his/her need, your financial aid office must attempt to eliminate the overaward by reducing other aid your school controls.

The Department issues Pell payment schedules that base the award solely on the student's cost of attendance, EFC, and enrollment status. As we'll see, aid from the other FSA programs must be awarded to ensure that the student's need is not exceeded, unless certain types of aid are used to replace the EFC, as permitted.

Traditional financial aid practice suggests that one would also adjust non-federal aid awards, if necessary, to ensure that the student's financial need is not exceeded. But it's possible that the student will receive a scholarship or other aid that your school can't adjust and is large enough (in combination with the Pell Grant) to exceed the student's need. In this case, the student is still eligible for a Pell Grant based on the payment schedule. However, your school can't award any FSA funds other than the Pell Grant.

For instance, the National Collegiate Athletic Association's rules for athletic aid sometimes permit a school to award athletic aid that exceeds the student's need. Your school must still pay the full Pell Grant to the student, but your school may not pay other FSA funds to the student, because his/her financial need has already been met.

PACKAGING RULES FOR CAMPUS-BASED AID AND DIRECT LOANS

Your school will consider a number of things when developing a packaging policy. For instance, some schools give more grant assistance to beginning students, who may have more difficulty adjusting to campus life, increasing the proportion of loans and work-study in subsequent years.

For the Campus-Based programs and other programs where the available funds may not be sufficient to meet every eligible student's need, some schools decide to give a higher proportion of aid to the neediest students. Other schools award funds as an equal proportion of each student's need.

Many schools use software, such as the packaging module in EDEXpress, that can be configured to implement the school's packaging philosophy. For instance, in EDEXpress, your financial aid office can specify the order in which aid sources are to be applied to the student's unmet need, and set overall percentage limits on the amount of gift (grants/scholarships) and self-help aid that will be included in the aid package.

ESTIMATED FINANCIAL ASSISTANCE (EFA)

In contrast to Pell and Iraq and Afghanistan Service Grants (IASG), your financial aid office must take other aid into account when awarding TEACH Grant funds, Campus-Based aid, Stafford or PLUS Loans. As noted earlier, the other aid that must be considered is called “estimated financial assistance” (EFA). The term *estimated financial assistance* is used in the same way for Stafford/PLUS purposes as for TEACH and the Campus-Based programs. However, there are differences in the treatment of AmeriCorps and Chapter 30 GI benefits (discussed later in this chapter).

In general, the term *estimated financial assistance*, as defined for the Campus-Based programs and TEACH grants, refers to aid from the FSA programs, as well as grants, scholarships, loans, and need-based employment that your school can reasonably anticipate at the time your school awards aid to the student, whether the assistance is awarded by the school or by an individual or organization outside the school. EFA does *not* include non-FSA aid if that aid offsets all or a portion of a component of a student’s COA and that amount is excluded from COA as well. If aid is excluded from either EFA or COA, that amount must be excluded from both EFA and COA. The regulations specify that “estimated financial assistance” is aid that the student will receive for the same period of enrollment as the Stafford or PLUS Loan. As noted in Chapter 1, it’s usually best to originate a Stafford or PLUS Loan for a period that matches the academic year or other period that your school uses to award funds from other FSA programs.

When classifying non-FSA sources of aid, if a student receives the award because of postsecondary enrollment (for example, a scholarship from a local social club that requires a student to be attending a postsecondary school), it counts as estimated financial assistance (EFA) if it is not considered wages for employment according to federal or state rules, or if it is considered wages and is based on need. Any amount that appears in income on the tax return will also be included on the appropriate line of item 43 or 91 on the FAFSA. If the award is considered wages for employment but is not based on need, then it is not EFA and it remains in income.

Estimated Financial Assistance provided by a State

HEA Sec. 480(j)

If the assistance is provided by a state is not considered FSA assistance (such as a LEAP Grant), and is designated by the state to offset a specific component of the student’s COA, the amount of that assistance may be excluded from both COA and Estimated Financial Assistance. Your financial aid office may exclude such assistance on a student-by-student basis, but if it is excluded, it must be excluded for both COA and Estimated Financial Assistance. If the amount excluded is less than the allowance provided in the student’s COA, your school must exclude the lesser amount.

Loan amounts & progression

Your financial aid office will calculate the proper loan amounts for students in various circumstances. For more detail on annual and aggregate loan limits, and when students receive higher loan limits based on their progression through their academic program, see the *FSA Handbook, Volume 3, Chapter 5*.

Pell can’t be used to pay a loan

If the student’s aid package includes a loan and the package must be adjusted to prevent an overaward, the Pell funds can’t be used to pay back the loan—a loan repayment isn’t an educational expense.

Examples of Estimated Financial Assistance

Estimated Financial Assistance

Includes any educational benefits paid because of enrollment in postsecondary education, such as:

- the student’s Pell Grant eligibility;
- unsubsidized and subsidized Stafford and PLUS (Federal Family Education Loans and Direct Loans);
- long-term loans made by the school, including Federal Perkins Loans (short-term emergency loans are not considered to be Estimated Financial Assistance);
- grants, including Federal Supplemental Educational Opportunity Grants (FSEOGs) and state grants

- scholarships, including athletic scholarships and scholarships that require future employment but are given in the current year;
- employer reimbursement of employee’s tuition
- waivers of tuition and fees;
- fellowships or assistantships;
- income from insurance programs that pay for the student’s education;
- need-based employment such as FWS
- net income from need-based employment; and
- AmeriCorps funds (except when packaging subsidized Stafford);
- McNair Postbaccalaureate Achievement Program
- TEACH Grant funds.

NOTE:

- The Iraq & Afghanistan Service Grant is NOT considered EFA.
- Veterans education benefits are not considered EFA.
- When awarding Campus-Based funds, your school may exclude from EFA: funds up to the amount of any subsidized DL that your school awards to the student when the student received AmeriCorps or Chapter 30 benefits.
- When determining eligibility for subsidized Direct Loans, your school must exclude the entire amount of AmeriCorps benefits.

Packaging Iraq & Afghanistan Service Grants

July 30, 2010 E-Announcement

February 11, 2011 E-Announcement

An IASG awarded to an ineligible student is an overaward, as is a grant based on a Pell Grant Payment Schedule for an enrollment status different than that for which a student is enrolled. Finally, an IASG that **by itself** exceeds the student's cost of attendance is an overaward. All of these IASG overawards must be corrected (for more detail on how to resolve overawards, see Volume 5 of the *FSA Handbook*).

Pell and IASG Lifetime eligibility used

Check the COD common records and the ISIR / NSLDS records to make sure students close to the 600% lifetime limit on Pell/Iraq & Afghanistan Service Grant are not packaged in such a way as to go over 600% of a Scheduled Award; to do so would be to overaward the student. The Department will also provide weekly reports in the Pell Grants Reporting Newsbox on the COD website for your school's 2012-13 Pell-eligible applicants that have a Pell LEU% greater than or equal to 450%. See Volume 3, Chapter 3 of the *FSA Handbook* for more detail on the effects of various levels of Pell/IASG Lifetime Eligibility Used.

PACKAGING AID FOR CHILDREN OF IRAQ & AFGHANISTAN SOLDIERS

A student whose parent or guardian died as a result of U.S. military service in Iraq or Afghanistan after September 11, 2001, may receive increased amounts of Federal Student Aid, if, at the time of the parent or guardian's death, the student was 1) 23 years of age or younger, or 2) enrolled at an institution of higher education.

The aid award and the method of packaging depends upon whether a student who meets the above criteria has a Pell-eligible EFC:

- If the student has a Pell-eligible EFC, your school must **award** all FSA aid based on an EFC of zero and must **package** all aid based on an EFC of zero, without regard to the student's calculated EFC (the student's EFC doesn't change).
- If the student has an EFC that is too high to qualify for a Pell Grant, he or she is potentially eligible to receive an Iraq and Afghanistan Service Grant.

Packaging Iraq & Afghanistan Service Grants

The amount of the Iraq and Afghanistan Service Grant is determined by enrollment status only, without respect to the student's cost of attendance or EFC. For students receiving grants, your financial aid office includes the student's normally calculated EFC when packaging other FSA aid. The grant is not based on need and is not considered EFA (for purposes of awarding aid from other FSA programs). For more detail on the Iraq & Afghanistan Service Grant, including calculating an award for a payment period, see Volume 3, Chapter 3 of the *FSA Handbook*.

An Iraq & Afghanistan Service Grant is not adjusted to take into account other forms of aid, so if a student's aid package includes a grant and the total package exceeds the student's need or cost of attendance, your financial aid office must reduce other aid to eliminate the overaward. If a student's total grant payments, by themselves, excluding other aid, will exceed his or her FSA cost of attendance for a period of enrollment, the total amount of the grant paid to the student must be reduced to the cost of attendance for the period of enrollment (reduce each payment for each payment period by an equal amount).

CONSIDERING GRANTS AND SUBSIDIZED LOANS FIRST

The law requires aid administrators to find out whether the student is eligible for certain other FSA programs that would reduce the need for borrowing. If your school participates in the Federal Pell Grant Program, your financial aid office must include the student's estimated Pell Grant eligibility as Estimated Financial Assistance when making Campus-Based awards, whether or not the student has received the Pell Grant at the time your school makes a Campus-Based award.

Similarly, your school must determine an undergraduate student's Pell Grant eligibility before originating a Subsidized or Unsubsidized Stafford Loan for that student. In addition, your school may not originate an unsubsidized Stafford Loan without first determining the student's need for a subsidized Stafford Loan. However, if the amount of the subsidized Stafford is \$200 or less and the amount can be included as part of an unsubsidized Stafford Loan, your school is not required to originate a separate subsidized loan.

For a dependent student, your school may originate a Parent PLUS and disburse Parent PLUS funds without determining the student's Pell Grant and subsidized Stafford Loan eligibility. Determining Pell eligibility is not relevant for Graduate PLUS, but (unlike Parent PLUS) your school must determine a graduate/professional student's maximum unsubsidized Stafford eligibility before the student applies for PLUS.

SUBSTITUTING FOR THE EFC

A school may substitute certain types of aid (Title IV aid funds from programs for which eligibility is not based on the EFC) for the student's EFC. Forms of aid that may replace the student's EFC include Direct Unsubsidized Loans, TEACH Grant funds, PLUS Loans, state loans, private education loans, any other non-need-based loans. Note that all annual loan limits still apply (PLUS Loans count towards neither annual nor aggregate limits), and if any of these are used to substitute for EFC, amounts that exceed the EFC are counted as estimated financial assistance.

Your school must package Campus-Based funds and Subsidized Stafford Loans before unsubsidized loans; as such, treatment of unsubsidized loans only becomes a factor when awarding Unsubsidized Stafford and PLUS Loans. When awarding Stafford/PLUS Loans, unsubsidized loan amounts are only counted in *estimated financial assistance* if they exceed the EFC.

Requirement to consider grants and subsidized loans first

34 CFR 685.200(a)

Packaging when choosing not to borrow Stafford

If a graduate PLUS borrower does not request the maximum Stafford Loan amount for which he/she is eligible, your school must notify the borrower of his/her maximum Stafford Loan eligibility, the loan interest rate for Stafford and PLUS, the grace periods and repayment time frames of Stafford and PLUS, and give the borrower the opportunity to request the maximum Stafford for which the borrower is eligible.

If the student for whom a parent is borrowing a PLUS Loan chooses not to apply for a Stafford Loan, the Stafford Loan amount that the student would have been eligible to receive is **not** counted as estimated financial assistance when determining the amount of the PLUS Loan. The same principle applies when a graduate/professional student is eligible for Stafford, but chooses to borrow only PLUS.

Packaging Graduate/Professional PLUS

A PLUS Loan does not count against a graduate/professional student's unsubsidized Stafford annual or aggregate loan limits.

Use net FWS earnings when packaging

To determine the net amount of a student's FWS earnings that will be available to help pay for the student's costs, your school must subtract estimated taxes and job-related costs from the student's gross FWS earnings (see Volume 3, Chapter 6 of the *FSA Handbook*).

Substituting for the EFC

34 CFR 686.21(d)

34 CFR 685.200(e)

34 CFR 668.52

Basic packaging example

Cost=\$12,500	unmet need 10,000	\$12,500 Cost - 2,500 EFC \$10,000 Need
	EFC \$2,500	

Ricki is a dependent student, returning as a sophomore to Dwight College. For academic purposes, Dwight College considers him to be a 2nd-year student. His cost of attendance is \$12,500, and his EFC for the current year is 2,500; therefore, the packaging process begins with \$10,000 in unmet need.

Cost=\$12,500	unmet need \$7,000	\$12,500 Cost - 2,500 EFC - 1,600 Pell Grant - 1,400 Scholarship \$ 7,000 Remaining Need
	Pell, WCF \$3,000	
	EFC \$2,500	

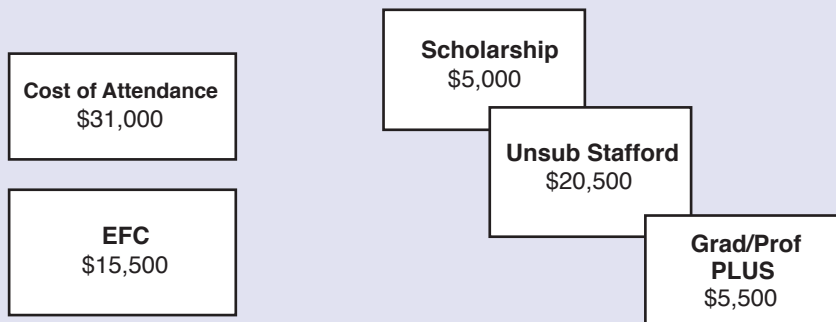
The aid administrator at Dwight College begins by awarding Pell Grants and applying the outside scholarship before awarding Campus-Based aid. Ricki's Estimated Financial Assistance is a \$1,600 Pell and a \$1,400 outside scholarship from the Wildwood Conservation Fund, so he has sufficient need for the maximum awards that the aid administrator can make under Dwight's policy for Campus-Based funds: \$800 FSEOG, a \$900 Perkins Loan, and \$1,800 in FWS employment.

Cost=\$12,500	unmet need \$3,500	\$12,500 Cost - 2,500 EFC - 1,600 Pell Grant - 1,400 Scholarship - 800 FSEOG - 900 Perkins - 1,800 FWS \$ 3,500 Remaining Need
	C-B Aid \$3,500	
	Pell & WCF \$3,000	
	EFC \$2,500	

The aid administrator at Dwight College finishes the packaging process by awarding FSA loans available to meet Ricki's need. As a 2nd-year student, Ricki's subsidized Stafford Loan limit is \$4,500. Because his remaining need is \$3,500, he can receive that amount as a subsidized Stafford Loan. If he chooses, he can borrow up to \$3,500 Unsubsidized Stafford to partially cover the EFC (the remaining eligibility under his annual loan limit). Since he is a dependent student, his parents can borrow up to the remaining amount of the EFC in the form of a PLUS Loan. As an alternative to Ricki borrowing an additional \$3,500 in unsubsidized Stafford, his parents could borrow that full amount in a PLUS.

Graduate/Professional PLUS Packaging Example

Kent enrolls in a graduate-level program at McCausland University with a total Cost of Attendance of \$31,000. Kent has already been awarded a graduate scholarship of \$5,000. Kent is a graduate student, so his annual loan limit is \$20,500. Due to the passage of the Budget Control Act, as a graduate student, Kent is not eligible to receive a Subsidized Stafford Loan. McCausland awards Kent a \$20,500 Unsubsidized Stafford Loan. Kent now has \$5,500 in remaining need. Kent can receive a PLUS Loan for \$5,500 to satisfy his remaining need, partially replacing the EFC (minus the scholarship and Unsubsidized Stafford Loans, which count as EFA).



Using Loan Funds to Replace the EFC: Dependent example

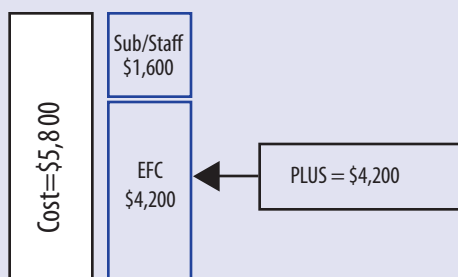
Nichelle is a first-year dependent student at Sandberg Community College. His cost of attendance is \$5,800 and his ISIR shows that he has an EFC of 4,200, so his financial need is \$1,600. Nichelle's EFC makes him ineligible for a Pell Grant, and Sandberg does not participate in the Campus-Based programs. The Stafford annual loan limit for a first-year dependent student is \$3,500. Nichelle qualifies for a \$1,600 subsidized Stafford Loan and has no remaining need.

Since an Unsubsidized Stafford Loan can replace the EFC and Nichelle hasn't reached the Stafford annual loan limit, he can borrow an additional \$1,900 in the form of an Unsubsidized Stafford Loan to cover part of the EFC (\$3,500 Stafford annual loan limit - \$1,600 Subsidized Stafford Loan = \$1,900 Unsubsidized Stafford eligibility). Nichelle could borrow \$1,900 in unsubsidized Stafford to partially cover the EFC. His parents could then borrow \$2,300 in PLUS to cover the remaining EFC. Alternately, his parents could borrow up to \$4,200 in the form of a PLUS Loan.

\$ 5,800 Cost
- 4,200 EFC
\$ 1,600 Need

Replaces
EFC

\$ 5,800 Cost
- 1,600 Sub Stafford
- 1,900 Unsub Stafford
- 2,300 PLUS
\$ 0 Need



Using Loan Funds to Replace the EFC: Independent example

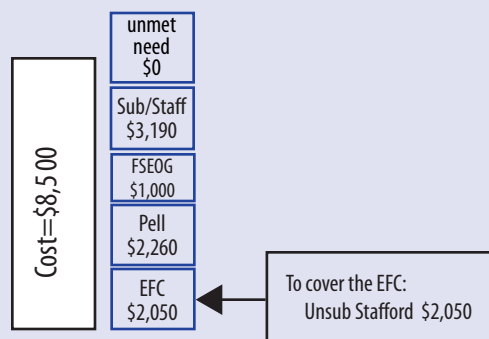
Jesse enrolls in Trice Technical College as a 1st-year independent student with an \$8,500 cost of attendance, and TTC has received an ISIR for her with an EFC of 2,050. She is eligible for a \$2,260 Pell Grant and TTC also awards her a \$1,000 FSEOG. Her remaining need is \$3,190, so she can receive that amount in a subsidized Stafford Loan (the maximum Subsidized Stafford Loan for a 1st-year student is \$3,500).

Since Jesse is an independent student, she can take out an additional Unsubsidized Stafford Loan to replace the EFC and as "self-help" to meet the EFC. Thus, TTC is able to award Jesse an additional \$2,050 in Unsubsidized Stafford Loan funds.

\$ 8,500 Cost
- 2,050 EFC
\$ 6,450 Need

Unmet
Need +
EFC

\$ 8,500 Cost
- 2,260 Pell Grant
- 1,000 FSEOG
- 3,190 Sub Stafford
- 2,050 Unsub Stafford
\$ 0 Need



COUNTING NEED-BASED EARNINGS AS ESTIMATED FINANCIAL ASSISTANCE

The treatment of earnings from a job sometimes presents a problem—should the earnings be reported as income in need analysis or should they be counted as a form of student aid in the packaging process? Net earnings from *need-based employment* are considered to be student aid. “Need-based employment” means employment that is awarded by the school itself or by another organization to a student on the basis of financial need to meet educational expenses for the award year. Only income from *need-based* employment may be considered as student aid. A Federal Work-Study job is clearly a form of need-based student aid. Employment with a state is considered to be student aid if that employment is based on the student’s financial need for assistance to pay for educational expenses.

Non-need-based earnings are not to be considered as EFA for the current award year because they will be reported as income on the Free Application for Federal Student Aid (FAFSA) for the subsequent award year and will be used in calculating the future EFC. An example of non-need-based employment would be a job a student locates on her own with a private employer such as a local grocery store. Another example would be a job cleaning the labs in the chemistry department on campus, if the chemistry department hired the student using non-need-based criteria and funds.

CROSSOVER PERIODS

Crossover periods are payment, award, or loan periods that overlap two award years. In general, your financial aid office may choose which award year EFC to use for a student, with one exception:

- when awarding FWS to a student not attending classes, the EFC for the next period of enrollment must be used.

The following chart summarizes the key flexibilities and options in handling crossover payment periods in the major FSA programs. Note that for the award year selected, the student must have an official EFC calculated by the CPS, and for a Pell Grant the CPS must also have processed a valid SAR or ISIR. For crossover payment periods, your school must use the same EFC, COA, and need for all programs except Pell; for Pell, use the EFC for the award year from which the student will be paid.

Crossover period EFCs and FSA aid

In a crossover payment period, when using Pell from a different award year from other FSA aid, your school must use the same EFC, COA, and need for all programs except Pell. For Pell, your school uses the EFC, COA, and need for the award year from which the student will be paid, and applies the amount of Pell received against the need when packaging aid from other FSA programs.

EFCs for periods other than 9 months

For detail on how to handle Direct Loans and Campus-Based Programs that are based on an enrollment period of other than 9 months, see Alternate EFCs in Chapter 3 of Volume 1 of the *FSA Handbook*.

Pell Crossover Issues

Your school is not required to assign a crossover period to the award year in which the student would receive the greatest Pell award, but is free to assign crossover payment periods to the award year that best meets the needs of your students and maximizes a student’s eligibility over the two award years in which the crossover payment period occurs. Your school may assign the Pell award to a different award year than the rest of the student’s Title IV aid. For more detail on calculating Pell awards in crossover, summer, mini-session, and transfer situations, see Volume 3, Chapter 3 of the *FSA Handbook*.

Prior year charges and Title IV aid

34 CFR 668.164(d)(2)

DCL GEN-09-11

Generally, Title IV aid may only be used for current year charges. Recent regulatory amendments have allowed some limited use of current year funds to pay for prior year charges; see Volume 4 of the *FSA Handbook* for more detail on the circumstances and limitations of this provision.

Handling Crossover Periods for FSA Programs

FSA Program	Applicable crossover period	Choice of award year EFC?	Use same award year EFC for all students in crossover period?	Use same award year, EFC, COA, and need to award a student other aid from FSA?	Use funds from the same award year as EFC?	Choice of academic year for annual loan limit regardless of award year EFC used?
Pell Grant & Iraq & Afghan Service Grant	Payment period	Yes	No	Not applicable	Yes	Not applicable
Perkins	Payment period	Yes	No	Yes, except for Pell Grant	No	Yes, but it is an award year limit. Choice still applies, regardless of the disbursement award year.
FWS	Award period	Yes, if student is attending classes. (If student is not attending, your school must use EFC for next period of enrollment.)	No	Yes, except for Pell Grant	No, disbursement from award year in which hours were worked	Not applicable
FSEOG	Payment period	Yes	No	Yes, except for Pell Grant	No	Not applicable
Direct Loans	Loan Period	Yes	No	Yes, except for Pell Grant	Not applicable	Yes, for term-based credit-hour programs using SAY. Not relevant for BBAY.

Award letters and notification requirements

Many schools use an award letter to notify students of their proposed aid package. Whether your school uses an award letter or other electronic means such as e-mail, your school must fulfill the consumer information requirements, as described in *Volume 2, Chapter 6* of the *FSA Handbook*. Your school is also responsible for certain notifications and authorizations at the time of disbursement, as described in *Volume 5*.

PACKAGING VETERANS BENEFITS, AMERICORPS, VOCATIONAL REHABILITATION FUNDS, & BIA GRANTS

Veterans and AmeriCorps benefits

For FSA purposes, federal veterans education benefits, as defined under Section 480(c) of the HEA, are no longer treated as estimated financial assistance (EFA). Your financial aid office can ask the student to provide the specific program or benefit under which they are receiving their veterans benefits. As in the past, veterans benefits are also not to be counted as income, and therefore are not reported as income on the FAFSA. For a full list of federal veterans education benefits, see Appendix A at the end of this chapter.

No AmeriCorps benefits are included in the EFA when determining eligibility for *Subsidized* Stafford Loans. Note that this packaging exclusion does not affect any Campus-Based, or TEACH awards made to the student, because your school may exclude the Subsidized Stafford from the EFA, up to the amount of the student's AmeriCorps benefits, for those programs. All AmeriCorps benefits are included as EFA when determining eligibility for *Unsubsidized* Stafford Loans.

For example, a 2nd-year student has a COA of \$12,000 and is receiving \$4,000 in Pell and \$3,000 in AmeriCorps benefits. Your financial aid office packages her with \$1,000 in FSEOG and \$2,000 in Perkins. Your financial aid office may award this student another \$3,500 in Stafford because the EFA for Subsidized Stafford would not include the AmeriCorps benefits. Because there is a complementary exclusion Stafford that is equal to or less than AmeriCorps, this does not necessitate a recalculation of the Campus-Based awards.

Note that the income earned from the Veterans Affairs Student Work-Study Allowance Program (VASWSAP) is not treated as a veterans education benefit, and is *not* considered estimated financial assistance. It should be reported as untaxed income (not income earned from work) on the FAFSA.

Noneducational veterans benefits are not counted as estimated financial assistance. Noneducational veterans benefits include Death Pension and Dependency and Indemnity Compensation (DIC) benefits, and income from the VASWSAP. The student must report these noneducational benefits as nontaxable income on the FAFSA.

Veterans benefits no longer EFA

IFAP E-Announcement July 2, 2009

IFAP E-Announcement Aug. 13, 2009

HEA 480(c)

Federal veterans benefits are excluded from the definition of estimated financial assistance as of July 1, 2009.

Yellow Ribbon Packaging

August 13, 2009 E-Announcement

http://gibill.va.gov/benefits/post_911_gibill/yellow_ribbon_program.html

Vocational rehabilitation agreements with state agencies

Some state vocational rehabilitation agencies have established agreements with schools that specify how vocational rehabilitation assistance will be coordinated with other forms of financial aid. Check with your school's vocational rehabilitation coordinator to see if it has such an agreement.

Vocational rehabilitation packaging

Adrian has \$4,000 in vocational rehabilitation aid for the 2011-12 academic year. At Friedman University, Adrian has a COA of \$5,000. He is eligible for a \$5,000 Perkins Loan. Although Friedman coordinates funding with the vocational rehabilitation agency to prevent an overaward, the vocational rehabilitation funds themselves are not considered EFA, because they cover costs that are not components in Adrian's COA, and Adrian's vocational rehabilitation costs are also not included in his COA. Adrian has \$2,000 of disability costs that are not met by his vocational rehabilitation award, so \$2,000 may be added to his COA. Friedman decides to award Adrian a \$2,000 Direct Loan to cover his COA. This is not an overaward, since Adrian's original \$5,000 COA was increased by the \$2,000 in unmet disability costs not included in his COA.

Bureau of Indian Affairs Grants

34 CFR 673.6

Reserve Educational Assistance Program (REAP/Chapter 1607)

DCL GEN-05-16

As with all veterans benefits, Chapter 1607 benefits are not taxable and will not be used in the EFC calculation. In addition, Chapter 1607 benefits are not considered EFA under the Campus-Based regulations (34 CFR 673.5) nor under the Direct Loan Program regulations (34 CFR 685.102).

Vocational rehabilitation funds

If a student qualifies for both FSA funds and for vocational rehabilitation assistance funds, your school should determine the student's package exclusive of both the costs related to the student's disability and anticipated vocational rehabilitation assistance. In this way, the student with disabilities will be offered the same aid package as a student who is in the same financial situation but who doesn't have disabilities; the student with disabilities will also receive the maximum amount of vocational rehabilitation aid to which he or she is entitled. If the vocational rehabilitation agency doesn't fully meet the student's disability costs, your financial aid office may include the unmet disability expenses in the student's cost of attendance and increase his or her aid award.

Although the vocational rehabilitation funds shouldn't be considered estimated financial assistance when your financial aid office initially package aid for the student, your financial aid office must coordinate funds available from the vocational rehabilitation agency and from institutional, state, and federal student financial assistance programs to prevent an overaward. The amount of assistance from the vocational rehabilitation agency must be documented in the student's file.

Coordination with Bureau of Indian Affairs grants

When packaging Campus-Based aid for a student who is or may be eligible for a Bureau of Indian Affairs (BIA) grant, your financial aid office must first develop a financial aid package without considering any BIA funds. If the total aid package—after BIA funds are added—does not exceed the student's need, no adjustment may be made to the aid package. If the total package plus the BIA grant does exceed need, your financial aid office must eliminate the excess in the following sequence: loans, work-study awards, and grants other than Pell Grants. (Your school may *not* reduce a Pell Grant or BIA grant.) Your school may alter this sequence of reductions upon the student's request if your financial aid office believes it would benefit the student.

Reserve Educational Assistance Program (REAP or Chapter 1607)

A veterans education benefit program referred to as REAP (or Chapter 1607) was signed into law on October 28, 2004. It is for reservists who serve on active duty on or after September 11, 2001, under Title 10 U.S.C. for a contingency operation and who serve at least 90 consecutive days or more. National Guard members also are eligible if their active duty is under section 502(f), Title 32 U.S.C. and they serve for 90 consecutive days when authorized by the President or Secretary of Defense for a national emergency and that active duty is supported by federal funds. Disabled members who are injured or have an illness or disease incurred or aggravated in the line of duty and who are released from active duty before completing 90 consecutive days are also eligible. The U.S. Department of Defense will identify contingency operations that qualify for benefits under Chapter 1607.

TREATMENT OF OVERAWARDS

If, **at any time during the award period**, the student receives additional Estimated Financial Assistance that was not considered in calculating the student's eligibility for Campus-Based aid, and if the estimated financial assistance combined with the expected financial aid will exceed the student's need, the amount in excess of the student's need is considered an overaward.

The treatment of overawards in the Stafford/PLUS programs depends on whether the loans have been fully disbursed—if your school discovers that there's going to be an overaward before Stafford/PLUS funds are disbursed, your school must eliminate the overaward through the packaging process, by canceling the loan or by making a downward adjustment to a Direct Loan, or by reducing/canceling aid over which your school has direct institutional control.

If the overaward situation occurs after Stafford funds have been disbursed to the borrower, there is no Stafford Loan overaward that needs to be addressed; however, your financial aid office might need to adjust the student's aid package to prevent an overaward of Campus-Based funds (see sidebar). See *Volume 5 of the Blue Book* for a full discussion of overawards for all programs.

There is a \$300 overaward tolerance for the Campus-Based programs. If the student's package is overawarded by \$300 or less (as a result of a late outside award, not the school's awarding methodology) and Campus-Based funds are part of the package, your financial aid office may consider the student to not be overawarded.

For more on Pell Grant recalculations, including when they are optional and mandatory, see *Volume 6 of the Blue Book*.

Campus-Based overaward thresholds

Campus-Based aid need not be reduced if the overaward doesn't exceed \$300, which is the overaward threshold for all Campus-Based programs. Note that the \$300 threshold is allowed only if an overaward occurs after Campus-Based aid has been packaged and the school was unaware, the student would receive additional funds.

The threshold does not allow a school to deliberately award Campus-Based aid that, in combination with other resources, exceeds the student's financial need. (See Volume 5 of the Blue Book.)

Packaging Byrd Scholarships with other FSA funds

Your school must ensure that the total amount of federal financial aid awarded to the Byrd Scholar does not exceed the scholar's total cost of attendance. If any federal loans are part of the scholar's financial aid package, they must be reduced prior to reducing the Byrd Scholarship. In addition, a Pell Grant must not be reduced on the basis of the receipt of a Byrd Scholarship.

APPENDIX A

FEDERAL EDUCATION BENEFITS TO BE EXCLUDED FROM ESTIMATED FINANCIAL ASSISTANCE AS LISTED IN SECTION 480(C) OF THE HIGHER EDUCATION ACT:

- Chapter 103 of title 10, United States Code (Senior Reserve Officers' Training Corps).
- Chapter 106A of title 10, United States Code (Educational Assistance for Persons Enlisting for Active Duty).
- Chapter 1606 of title 10, United States Code (Selected Reserve Educational Assistance Program).
- Chapter 1607 of title 10, United States Code (Educational Assistance Program for Reserve Component Members Supporting Contingency Operations and Certain Other Operations).
- Chapter 30 of title 38, United States Code (All-Volunteer Force Educational Assistance Program, also known as the 'Montgomery GI Bill—active duty').
- Chapter 31 of title 38, United States Code (Training and Rehabilitation for Veterans with Service-Connected Disabilities).
- Chapter 32 of title 38, United States Code (Post-Vietnam Era Veterans Educational Assistance Program).
- Chapter 33 of title 38, United States Code (Post-9/11 Educational Assistance).
- Chapter 35 of title 38, United States Code (Survivors' and Dependents' Educational Assistance Program).
- Section 903 of the Department of Defense Authorization Act, 1981 (10 U.S.C. 2141 note) (Educational Assistance Pilot Program).
- Section 156(b) of the 'Joint Resolution making further continuing appropriations and providing for productive employment for the fiscal year 1983, and for other purposes' (42 U.S.C. 402 note) (Restored Entitlement Program for Survivors, also known as 'Quayle benefits').
- The provisions of chapter 3 of title 37, United States Code, related to subsistence allowances for members of the Reserve Officers Training Corps.

Scheduling Disbursements



CHAPTER 4

Once your financial aid office has determined the total award amount, based on the annual loan limits and the student's financial need, it calculates the disbursement amounts and determines the disbursement dates to report to COD. In this chapter, we'll look at how a school schedules disbursements. For more detail on the requirements of making disbursements, such as notifications, authorizations, disbursing FWS wages, method of disbursement, paying FSA credit balances, and making late disbursements, see The Blue Book, Volume 5.

TIMING OF DISBURSEMENTS—GENERAL RULES

Except for Federal Work Study (FWS) wages, FSA disbursements are made on a payment period basis. The timing of disbursements is especially important for Pell and TEACH Grants and Stafford/PLUS loan funds, because your school must report disbursement dates with the Department (through the COD system).

Checking eligibility at the time of disbursement

Before your school awarded funds to a student, your financial aid office confirmed that he or she was an eligible student and was making satisfactory academic progress (See the *FSA Handbook, Volume 1*). However, before disbursing FSA funds, your school must determine and document that a student remains eligible to receive them. That is, your school must confirm that:

- the student is enrolled in classes for the period;
- a student enrolled in a non-term program or nonstandard term program with terms that are not substantially equal in length has completed the previous period (credits and weeks or clock-hours and weeks of instruction);
- if the disbursement occurs on or after the first day of classes, that the student has begun attendance;
- for Direct Loans, the student is enrolled at least half-time;
- first-time FSA borrowers have completed entrance counseling, received the required disclosures, and completed the first 30 days of their academic program;
- for TEACH Grants, the student has, for that award year, a) completed the relevant initial or subsequent counseling; b) signed an "Agreement to Serve;" and c) the appropriate GPA, has otherwise met the performance standard through testing, or is a retiree or a current or former teacher.

The most common change that would make a student ineligible for a Stafford or PLUS disbursement is if the student has dropped below half-time

Disbursement timing citations

Disbursement by payment period:

34 CFR 668.164(b),

HEA Sec. 428G(a)

Early disbursements: 34 CFR 668.164(f)

30-day delay for 1st-time Stafford borrowers:

34 CFR 685.303(b)(3)

Disbursement of 2nd & subsequent disbursements:

34 CFR 685.301(b)(3)

Definition of date of disbursement

34 CFR 668.164(a)

Disbursement by payment periods

The Cash Management Regulations specify that a school must disburse all FSA grant and loan funds on a payment period basis. For all types of programs, FSA funds are disbursed using the payment period definitions in 34 CFR 668.4.

Liability for incorrect payments

A school is liable for any incorrect payments made to the student due to school error. School officials may be subject to a \$10,000 fine, a prison sentence, or both if they knowingly makes false or misleading statements.

Third-party responsibility for checking eligibility before disbursement:
34 CFR 668.25(c)(4)

Interim disbursements to students selected for verification:

A school can make an interim disbursement of certain types of FSA funds to a student who is selected for verification (including a student selected for verification by the school rather than the CPS). If the school has any conflicting documentation or other reason to believe that it does not have a valid output document, it may not make such a disbursement. See the current version of the Application and Verification Guide for more details.

TEACH Grant Counseling

A student must complete TEACH Grant Initial Counseling prior to receiving the first disbursement of the student's first TEACH Grant. See *Volume 2* of the *FSA Handbook* for information about the required counseling. Disbursements to students on leave of absence

A school may disburse Pell, TEACH Grant, Iraq & Afghanistan Service Grant, FSEOG, or Perkins funds to a student on a leave of absence. However, a school must not disburse Direct Loan funds to a student on a leave of absence. Because FSA credit balance funds are funds that have already been disbursed, a school must pay an FSA credit balance to a student on a leave of absence.

enrollment, so it is important that the financial aid office have a system to check the student's enrollment status at the time of disbursement.

If the student has only temporarily dropped below half-time enrollment, you may still make a Stafford or PLUS disbursement after the student resumes at least half-time enrollment.

Time frames for paying FSA funds

In general, schools that are not receiving federal cash from the Department through one of the heightened cash monitoring payment methods must make disbursements as soon as administratively feasible but no later than three business days after receiving funds from the Department. The disbursements may be credited to the student's account or made directly to the student or parent.

In order to comply with the excess cash regulations, when requesting funds with which to make FSA disbursements, schools must ensure they do not draw down more cash than they can disburse over the next three days. Note that these time frames for disbursing to the student's account (or directly to the student or parent) are different than those for paying FSA credit balances to the student or parent. A school generally has 14 days to pay an FSA credit balance to the student or parent, unless it has written permission to hold the credit balance. For more details on excess cash requirements, see *Volume 4* of the *Blue Book*.

In addition, it is important to define the date of disbursement because several regulatory requirements are based on that date. For instance, your school must notify a student of a loan disbursement no sooner than 30 days before the date of disbursement and no later than 30 days after the date of disbursement.

Submitting disbursement records

A school must submit Federal Pell Grant, TEACH Grant, and Direct Loan disbursement records no later than 30 days after making a disbursement or becoming aware of the need to adjust a student's disbursement. A school's failure to submit disbursement records within the required 30-day time frame may result in an audit or program review finding. In addition, the Department may initiate an adverse action, such as a fine or other penalty for such failure.

Basic rules for early and delayed disbursements

In general, the earliest that a school may disburse FSA funds by crediting the student's account or by paying directly to the student or parent is 10 days before the first day of classes for that payment period. For **credit-hour nonterm and clock-hour programs**, the earliest a school may disburse FSA funds (other than FWS wages) is the later of:

- 10 days before the first day of classes for that payment period; or
- the date the student completed the previous payment period for which he or she received FSA funds.

This disbursement timing limitation is also applicable to Stafford and PLUS disbursements in credit-hour programs with nonstandard terms that are not substantially equal in length. In some cases, as we'll discuss, other restrictions apply.

If a student is in the first year of undergraduate study and is a first-time Stafford borrower, or if your school's cohort default rate has been 15 percent or greater for the three most recent years for which data is available, your school may not disburse the first installment of the Stafford Loan until 30 calendar days after the student's program of study begins.

You are not required to delay disbursement for such students if you have a cohort default rate of less than 15 percent for each of the three most recent years for which data are available, or if your school is a home institution originating a loan to cover the cost of attendance in a study abroad program and have a cohort default rate of less than 5 percent for the single most recent year for which data are available.

If a student is scheduled to begin class in a module of a term-based program that starts after the first day of classes for the semester, you may not make the initial disbursement until 10 days before the start of the first module in which the student is scheduled to begin attendance. Also, if you post a credit to a student's account before the earliest date permitted by regulation, the date the FSA funds are considered to be disbursed is the earliest date permitted by regulation.

Retroactive payments when disbursement has been delayed

Your school must, for Pell, pay a student retroactively for any completed payment periods within the award year if the student was eligible for payment in those periods. Thus, in the case of a Pell Grant, if your school doesn't receive a valid SAR/ISIR for a student until the spring term, but the student was also enrolled and eligible for a disbursement in the previous fall term, that student must be paid retroactively for the fall term.

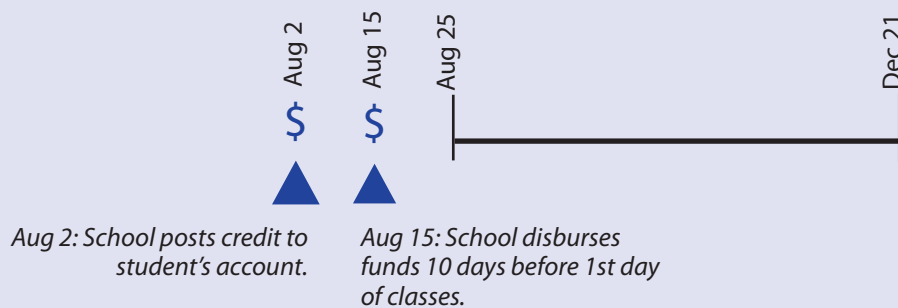
If your school is paying a Pell or TEACH Grant for a completed term in which no disbursement has been made, the *grant must be based on the hours completed by the student for that term*. If the student had enrolled full time at the beginning of the fall term but dropped to half-time status by the end of the term, the retroactive disbursement must be based on half-time status. At a term school, all completed coursework counts towards enrollment status, including earned F's and incompletes that have not converted to "F" grades because the student failed to complete the course work. (This requirement does not apply to any other FSA program.)

For Stafford/PLUS Loans, if any payment period has elapsed before you make your first disbursement to the student, the disbursement for the next payment period may include the amount that would have been disbursed in the completed payment period (provided the student was eligible and enrolled at least half-time in that payment period).

MPNs required for late loan disbursement

A student who withdraws or becomes ineligible before completing a loan MPN may only be paid a late disbursement if he/she signs a promissory note in time for the school to include the loan funds in the Return of Title IV (R2T4) calculation. For more detail on R2T4, see *Volume 5 of the Blue Book*.

Early disbursement & advance credit to account



The earliest a school may disburse funds is 10 calendar days before the first day of class in the semester (August 15 is the example).

If your school posts a credit to a student's account before the earliest date permitted by regulation (August 2nd vs. August 15 in the example), for FSA purposes, the date the aid is considered to be disbursed is the earliest date permitted by regulation: August 15.

Disbursement rules for terms made up of modules

When a student is attending a modular program but won't attend the first module, the date when classes begin for making disbursements is the starting date of the first module that the student will actually attend.

The earliest the school can pay a student who is scheduled to begin attendance in the second of three 5-week modules that make up the payment period is 10 days before the first day of the second module (or 30 days after the second module begins, if the student is a first-time, first-year borrower and the school does not meet the requirements for a waiver in 34 CFR 685.303(b)(4)).

Module Example: A 1-year program with no terms awards 24 credit-hours, which are taught in a series of six 4-hour modules. The school groups the modules into two 12-hour payment periods. The first payment period takes 15 weeks to complete. The student cannot progress to the second payment period until the student successfully completes 12 credit-hours and the 15 weeks of instruction have elapsed. If the student fails the first 4-hour module, he or she will still need to successfully complete three modules (for a total of 12 credits) to progress to the next payment period.

For loan purposes, if the student became ineligible for reasons other than withdrawal or graduation—such as dropping below half-time enrollment—your school *may* make a late disbursement, but is not required to do so.

You may make the retroactive disbursements in one lump sum.

Multiple disbursements within a payment period

FSA regulations generally permit schools to pay FSA funds at such times and in such installments *within* each payment period as will best meet students' needs. This gives schools the ability to apportion the payment if doing so will be in the best interest of the student. For example, if a payment period is particularly long, a school might choose to pay in multiple installments to the extent program requirements permit to ensure that a student will have funds to pay rent later in the payment period.

Also bear in mind that FSA funds must be provided to students in a timely manner to best assist them in paying their educational expenses. Consequently, a school may not delay the disbursement of funds until after the 60% point, for example, to avoid the administrative burden of performing a Return of Title IV Funds calculation and the requirements that go along with it, or to prevent the student from having to return funds upon withdrawal. For more detail on managing funds and returning Title IV funds, see *Volume 5 of the Blue Book*.

TIMING OF FSA GRANT & PERKINS LOAN DISBURSEMENTS

Disbursements in credit-hour term-based programs

For a student enrolled in a credit-hour program that uses any type of academic term, for Pell, TEACH, FSEOG, and Perkins Loan program funds, the payment period is the academic term. Under the advance payment method, FSA grants actual disbursement information can be submitted no earlier than 7 calendar days prior to the disbursement date.

Disbursements in clock-hour and credit-hour nonterm programs

For clock-hour programs and nonterm credit-hour programs, a student can receive the first disbursement of FSA grant or Perkins Loan funds when the student begins the program or academic year. The student becomes eligible to receive a disbursement of FSA grant funds for the second payment period when the student successfully completes half of the weeks of instructional time AND half of the credit-hours/clock-hours in the academic year or program or the remaining portion of a program that is more than one-half of an academic year but less than a full academic year.

Perkins & FSEOG disbursements

Payment by payment period:

34 CFR 674.16(b) and 676.16(a)

Uneven costs/uneven payments:

34 CFR 674.16(c) and 676.16(b)

Paying prior to student beginning

attendance: 34 CFR 674.16(f)

and 674.16(d)

Submitting disbursement records

A school must submit disbursement records to the COD system no later than 30 days after making a Pell or Direct Loan disbursement.

Reporting Perkins Loan disbursements

34 CFR 674.16(i)

You must report each Perkins Loan and each Perkins Loan disbursement to NSLDS and one of the three national credit bureaus (or a local credit bureau affiliated with one of those three bureaus). You must report the amount and date of each disbursement, information concerning repayment and collection of the loan until its paid in full, and, if applicable, the date the loan was repaid, canceled, or discharged for any reason. Any change to information previously reported must be reported to the same credit bureau(s) to which the information was originally reported.

Books and supplies Pell disbursement

34 CFR 668.164(i)

You must provide a means by which a Pell recipient can obtain or purchase, by the seventh day of a payment period, books and supplies for the payment period (assuming the student has a credit balance to be disbursed and you could disburse funds 10 days before the beginning of the payment period).

Additional grant disbursement notes

Disbursements exceeding 50 percent of award

If you use Formula 3 to calculate a Pell or TEACH Grant, the student's total payment for a payment period may exceed 50 percent of the student's annual award. However, the disbursements of the student's Pell or TEACH Grant in the payment period cannot exceed 50 percent of the student's annual award until the student completes, in the payment period, at least half of the weeks of instructional time in the academic year. Therefore, you generally must make at least two disbursements to the student in the payment period. You may not withhold funds as an administrative convenience if you wish to make a single disbursement.

Stafford/PLUS disbursements

Standard terms and terms that are substantially equal in length
34 CFR 668.4(a) and (c)

Programs without terms, clock-hour programs & terms not substantially equal
34 CFR 668.4(b), (c), and (h)(1)

Scheduling Direct Loan disbursements

Please consult the Direct Loan School Guide for further discussion of DL disbursement issues (available on IFAP).

Multiple loan disbursements within a payment period

A school may schedule multiple disbursements *within* a payment period, as long as the disbursements in a loan period are substantially equal.

However, for nonterm and clock-hour programs, a school may not elect to have more than two payment periods per loan.

Schools that use payment periods as the basis for their Return of funds calculations should note that making multiple disbursements within a payment period does not create a new or additional payment period. See *Volume 5 of the FSA Handbook* to see how withdrawal calculations handle multiple disbursements.

Timing of grant disbursements within a payment period

You may time the disbursement of Pell and TEACH Grant funds for a payment period to best meet the needs of students at your school. For instance, some schools credit the student accounts for school charges as soon as is permissible, and then pay the credit balance to students when they begin classes. Other schools wait until the end of the add/drop period to disburse funds, or pay students in monthly installments to help meet living expenses throughout the payment period. (If, as opposed to making multiple disbursements within the payment period, your school rations disbursements to students by crediting the entire disbursement for the payment period to the student's account and making periodic disbursements to the student from these funds, it must have the student's voluntary written authorization.)

Uneven disbursements of FSEOG & Perkins

A school that is awarding an FSEOG or a Perkins Loan for a full academic year must disburse a portion of the grant or loan during each payment period. In general, to determine the amount of each disbursement, a school will divide this award amount by the number of payment periods the student will attend.

However, if the student incurs uneven costs or receives uneven resources during the year and needs extra funds in a particular payment period, your school may disburse the additional FSEOG or Perkins amounts to the student in whatever manner best meets the student's needs.

TIMING OF STAFFORD/PLUS DISBURSEMENTS

Standard terms and substantially equal nonstandard terms at least nine weeks in length (SE9W)

If the program uses *standard academic terms* (semesters, trimesters, or quarters) or it has *nonstandard terms of substantially equal length*, at least one disbursement must be made in each term in the loan period. A program is considered to have substantially equal terms if no term in the program is more than two weeks of instructional time longer than any other term in the program.

If there is more than one term in the loan period, the loan must be disbursed over all terms of the loan period. For example, if a loan period is for an academic year that includes three quarters, the loan must be disbursed in three substantially equal disbursements.

If there is only one term in the loan period, the loan generally must be disbursed in two payments. In a credit-hour program that uses a semester, trimester, or quarter system, or is “SE9W,” (see sidebar), the second disbursement may not be made until the student reaches the calendar midpoint between the first and last scheduled days of class of the loan period.

Clock-hour programs, nonterm credit-hour programs, and programs with nonstandard terms that are not substantially equal

If the program is one academic year or shorter, the loan period is usually the length of the program. (For more information on nonterm loan periods, see *Volume 3, Chapter 5* of the *FSA Handbook*.) If the program is longer than an academic year, there will usually be another loan period for any subsequent academic year or remaining portion of an academic year.

For each loan period in these programs:

- The loan must be disbursed in at least two substantially equal amounts, with the first disbursement generally disbursed at or near the beginning of the loan period; and
- The second half of the loan proceeds may not be disbursed until the student has successfully completed half of the coursework and half of the weeks of instructional time in the loan period.

The payment period for the remainder of a program less than or equal to one-half of an academic year is the remainder of the program.

When a Direct Loan is made for one payment period, the loan must be disbursed in two installments, and the second installment may not be disbursed until the student has successfully completed half the number of credit or clock-hours and half the weeks of instructional time in the payment period.

Nonstandard “SE9W” terms

If a credit-hour program has nonstandard terms, the terms are substantially equal in length, and each term is at least 9 weeks of instructional time in length, then the terms, for annual loan limit progression purposes, are referred to as “SE9W.”

The length of terms are measured in weeks of instructional time, as defined in this chapter. Nonstandard terms are substantially equal if no term in the loan period is more than 2 weeks of instructional time longer than any other term in that loan period.

For more detail on SE9W terms, see *Volume 3, Chapter 5* of the *FSA Handbook*.

Direct Loans for one payment period

34 CFR 685.301(b)(3)(ii)

Low cohort default rate exemptions

Section 428 G (a)(3) and (b)(1) of the HEA, Direct Loans 34 CFR 685.301(b)(8)

Single disbursements for study-abroad students

If a borrower is enrolled in a study-abroad program approved for credit by the home school and the home school had a Stafford Loan default rate less than 5 percent in the single most recent fiscal year for which data are available, the school may make a single disbursement of the loan proceeds.

34 CFR 685.303(b)(6)

Also see Cohort Default Rate Guide.

Timing of correspondence program disbursements for Pell and TEACH Grants

ACG/SMART: 34 CFR 691.66

Pell: 34 CFR 690.66

TEACH: 34 CFR 686.25

For nonterm correspondence programs, you make the first disbursement to a student after the student completes 25 percent of the lessons or otherwise completes 25 percent of the work scheduled for the program or academic year, whichever occurs last. You make the second disbursement to a student after the student completes 75 percent of the lessons or otherwise completes 75 percent of the work scheduled for the program or academic year.

For term-based correspondence programs, you make the first disbursement to a student for each payment period after the student completes 50 percent of the lessons or otherwise completes 50 percent of the work scheduled for the term, whichever occurs last.

Exceptions to multiple disbursement loan rules for schools with low default rates

Schools with cohort default rates of less than 15 percent for each of the three most recent fiscal years for which data are available, including eligible foreign schools, may disburse, in a single installment, loans that are made for one semester, one trimester, one quarter, or a four-month period. Such schools also are not required to delay the delivery or disbursement of a first disbursement of a loan for 30 days for first-time, first-year undergraduate borrowers.

You may pay a student in an eligible study-abroad program in one disbursement, regardless of the length of the loan period, if your school's most recently calculated Stafford Loan default rate is less than 5 percent for the single most recent fiscal year for which data are available.

When a school that qualifies for the cohort default rate exemption offers nonstandard term credit-hour programs with:

- terms not substantially equal in length;
- nonterm credit-hour programs; or
- clock-hour programs;

the payment period, for purposes of Direct Loan funds, is the portion of the program to which the cohort default rate exemption applies. For example, if the loan period for a nonterm credit-hour program is three months in length and the institution meets the cohort default rate exemption, the three-month loan period is the payment period, and only one disbursement of the loan is required for that period.

INTERIM DISBURSEMENTS

Under certain limited circumstances, you may make interim disbursements to students. If you have no reason to believe that an applicant's FAFSA information is incorrect, *prior to verification*, or, after verification but in the absence of a corrected SAR/ISIR (or if none of the changes to the applicant's FAFSA data will result in a change in the amount they are eligible to receive under any Title IV program), you may:

- Make one Pell, Perkins, or FSEOG disbursement for the applicant's first payment period;
- employ or allow another entity to employ the applicant, once he/she is an eligible student, under the FWS program for the first 60 consecutive days after the student's enrollment in the award year; or
- Originate a Direct Subsidized Loan, *but not disburse loan funds*.

Interim Disbursements

34 CFR 668.58--Interim disbursement options
34 CFR 668.59--Consequences of change in FAFSA information